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THE WALL STREET JOURNAL.

# THE WALL STREET JOURNAL.

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# China faces pressure to lift yuan

## No change in currency is offered

By Andrew Batson

BEIJING—A growing number of global leaders are urging China to look to its long-term interests and allow its tightly controlled currency to rise. But they are encountering reluctance from a government still very much worried about the economy in the short term.

U.S. President Barack Obama and Dominique Strauss-Kahn, managing director of the International Monetary Fund, in Beijing on separate visits Tuesday, told Chinese officials that yielding to market pressures for a stronger yuan would help the global economy recover. Nonetheless, Chinese President Hu Jintao didn't announce any new commitment on currency policy to Mr. Obama, and other Chinese officials and economists continue to defend China's policy of keeping the yuan steady against the dollar.

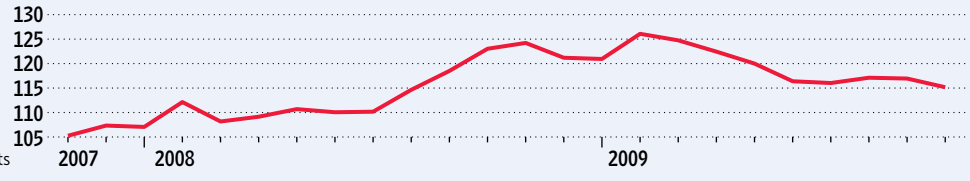
The discussions highlight how China's heavily managed currency is once again at the center of debates over global economic policy, after being pushed to the background for a while by the financial crisis. Though Mr. Hu, Mr. Obama and other world leaders have promised to cooperate in pulling the world economy out of its deepest slump in a generation, coordinating economic policies across very different countries remains no easy task. High unemployment makes trade with China a volatile political issue in the U.S.—but similar pressures also make it difficult for China to yield to U.S. pressure on the currency.

A stronger yuan, which would make Chinese exports less competitive, is particularly unappealing for China in a year when exports are down about 20% and many manufacturers have closed. And Chinese leaders who have criticized the West's

*Please turn to page 24*

U.S. President Barack Obama inspects an honor guard with Chinese President Hu Jintao at the Great Hall of the People on Tuesday.

**Depreciating**
Real effective exchange rate of the yuan against a basket of 58 currencies, year 2005=100




Source: Bank for International Settlements

## Obama, Hu set outline of interests

By Jonathan Weisman And Ian Johnson

BEIJING—U.S. President Barack Obama secured a far-ranging framework for cooperation with China on Tuesday—one that paradoxically was announced as frictions appeared to increase over human rights and economic policy.

For Mr. Obama, the visit's results were mixed. Aides say he views China as the U.S.'s most vital partner in tackling the globe's most intractable issues. The U.S. and China consume more energy and emit more greenhouse gases than any other countries. China's position on the United Nations Security Council and location on the border with North Korea make it indispensable to resolving nuclear standoffs in Iran and on the Korean peninsula. And China's status as Washington's biggest creditor and the world's engine of economic recovery has linked the two nations' economies inextricably.

With so much at stake, Sino-U.S. relations have never been closer or more important,

*Please turn to page 24*

■ Heard on the Street .....40

# OPEC ramps up pumping ability

By Spencer Swartz

LONDON—Energy forecasters increasingly predict slowing growth in global oil demand in the years ahead, but some OPEC nations are heading in the opposite direction and ramping up their capacity to pump oil.

Qatar, for example, is set to raise its oil-production capacity early next year from an existing field known as Al Shaheen. The more than $6 billion expansion project brightens the revenue prospects of the Mideast state but highlights a bigger problem brewing for its partners in the Organization of Petroleum Exporting Countries.

After keeping a tight tether on supply in recent years by cautiously investing, the 12-nation cartel finds itself battling an untimely convergence of lackluster consumption that magnifies its own rising supply capacity—which may in turn reignite old battles between members over market share and ultimately push oil prices lower.

OPEC output capacity is expected to increase around one million barrels a day in 2010 as projects enter service in Angola, Iraq, Qatar and Saudi Arabia, according to Bill Farren-Price, energy director at **Medley Global Advisors.**

"Significant challenges face OPEC next year," Mr. Farren-Price says. "It will struggle to integrate a wave of new OPEC production capacity that vastly exceeds world demand for its crude." Many of the projects started development well before the recession.

Projects like Al Shaheen may swell OPEC's nominal spare production capacity, a measure of its overall capability to bring barrels to consumers, to roughly 7.5 million barrels a day. That would will leave OPEC capacity up about 15% from 2008 at almost a 10-year high, depending on how much oil the group is actually producing.

Operated by Denmark's **AP Moller-Maersk**, the offshore Al Shaheen field started producing crude in the early 1990s and could almost double in capacity to over 500,000 barrels a day, says Qatar oil minister Abdullah Bin Hamad Al-Attiyah. "The expansion is coming along as expected," he said, dismissing concern about depressed demand.

Mr. Al-Attiyah and other OPEC officials say China, India and other parts of Asia will remain OPEC's fastest-growing markets. OPEC exports to

*Please turn to page 8*

**Crude-oil futures**
Daily settlement price on the continuous front-month contract
11 a.m. in NY: **$78.70** a barrel, **down 20 cents**

Source: Thomson Reuters via WSJ Market Data Group

# PAGE TWO

## What's News—

* * *

*Business & Finance*

■ **Lazard selected** Kenneth Jacobs, head of its North American banking business, as chairman and CEO, after the death of Bruce Wasserstein last month. The investment bank also created a new position of lead director and awarded it to Steven Heyer, who has served on the board since the company went public in 2005. **31**

■ **UBS's chief executive asked** investors for patience in returning the Swiss bank to profitability and stanching outflows at its flagship private bank as he detailed midterm financial targets. **30**

■ **Fresh U.S. data** on wholesale prices and industrial output give the Fed more reasons to keep interest rates close to zero. **3**

■ **U.S. stocks fell** as earnings and economic news had investors again questioning the strength of the economy's recovery. Most Asian markets ended lower. **35**

■ **Reliance Industries said** it has started development on nine additional gas discoveries in the Krishna Godavari basin off India's east coast. **25**

■ **Private-equity firm Hopu** is planning to invest around $1.2 billion in China Minsheng Banking Corp., making it the biggest participant thus far in the lender's IPO. **30**

■ **A consortium led** by China Strategic Holdings plans to sell a 30% stake in recently bought Nan Shan Life Insurance to Chinatrust Financial Holding. **32**

■ **RBS dismissed** eight Hong Kong-based corporate finance bankers as part of its merger of two corporate finance advisory teams in Asia-Pacific. **30**

■ **Sina's third-quarter profit** fell 11% as the Chinese Internet firm suffered difficult comparisons with last year's results, but it sees signs of a stronger recovery. **27**

Associated Press

Pakistan troops keep position atop a mountain Tuesday in Ladha, a town in the tribal region of South Waziristan.

■ **Chinese TV manufacturer TCL** formed a venture with the Shenzhen government to build a $3.6 billion LCD production line. **26**

■ **CapitaLand's Asian** shopping-mall unit plans to raise up to $1.99 billion in what will be Singapore's largest IPO in 16 years. **10**

■ **HSBC is having an easier time** unloading homes foreclosed upon during the U.S. subprime crisis. But hurdles loom. **11**

■ **Home Depot's quarterly profit** fell 8.9%, but the results were better than expected and the retailer raised its full-year forecast. **28**

■ **Burberry posted** a smaller-than-expected drop in first-half profit and expects to perform well in the second half as it sells a greater proportion of its goods through its own stores. **28**

■ **Bharti Airtel is still keen** on mergers and acquisitions in emerging markets, but the company isn't in any talks at present, CEO Manoj Kohli said. **29**

■ **Paul Allen**, the billionaire investor who co-founded Microsoft, was diagnosed earlier this month with non-Hodgkin's lymphoma and is undergoing chemotherapy. **27**

■ **AMP's chief executive said** the Australian wealth manager's $11.24 billion proposal to buy AXA Asia Pacific Holdings has to make sense economically. **30**

* * *

*World-Wide*

■ **South Korea's decision** to voluntarily reduce its carbon emissions over the next decade is likely to become a force in reshaping its economy, officials said. **4**

■ **The U.N. atomic watchdog said** Iran could be constructing covert nuclear installations in addition to a uranium-enrichment facility the U.S. disclosed in September. **8**

■ **The U.S. Department** of Defense will investigate its procedures in light of the Fort Hood shooting rampage, looking at how all of the U.S. military services keep a watch on potential problems in their ranks.

## Inside

Drought in China delays filling the Three Gorges Dam. **6**

How Chinese tech companies outsmart foreign rivals. **15**

Jump in Japanese public share offerings draws scrutiny. **25**

Container shipping industry faces weak recovery. **40**

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President Obama wraps up his visit to China and moves on to South Korea, at asia.WSJ.com

### Speakeasy

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**Australian novelist Max Barry has a rewriting problem. "I've been working on two books, one of which I've rewritten I think 18 times," he said.**

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WORLD NEWS

# Data bolster case for lid on U.S. rates

By LUCA DI LEO And JEFF BATER

WASHINGTON—U.S. core wholesale prices unexpectedly fell in October while industrial output rose by less than forecast, giving the Federal Reserve more ammunition to keep interest rates close to zero.

The producer price index for finished goods rose 0.3% on a seasonally adjusted basis in October, the U.S. Labor Department said Tuesday. The so-called core PPI, which excludes food and energy prices, fell 0.6%. Wall Street economists had predicted a 0.6% increase in headline PPI and a 0.1% rise in core PPI.

U.S. industries increased output for a fourth month in a row but only weakly in October, raising questions about the strength of the economy's recovery. Industrial production rose 0.1%, the Federal Reserve said Tuesday. Wall Street had expected a 0.3% increase.

"Digging out of this hole could take years, which underscores the Fed's 'extended period' zero interest rate stance," said Jay Feldman, economist at Credit Suisse in New York.

Bloomberg News

An Amazon.com facility in Arizona Monday. U.S. data on wholesale prices and industrial output point to weakness in the recovery.

In his first speech since the Fed voted Nov. 4 to hold its key interest rate at a record low, Chairman Ben Bernanke Monday said the central bank expects to keep its fed-funds target rate close to zero for an "extended period" in the face of high unemployment and low inflation.

The Fed chief also said that core inflation, inflation expectations and unemployment will guide the central bank's decisions on interest rates.

"On net, notwithstanding significant cross-currents, inflation seems likely to remain subdued for some time," Mr. Bernanke said.

The Fed chief said that, even though commodity prices have risen recently as the U.S. dollar depreciated, inflation is likely to be restrained for some time.

Some economists argue the weaker dollar and rising energy prices are early warning signs that inflation will quickly spiral out of control. Others, including Mr. Bernanke, stress that slack in the economy and low labor costs are likely to keep prices in check.

Tuesday's PPI data showed a 1.6% rise in energy prices in October after a 2.4% decline the previous month. Food prices increased 1.6%, with the index for fresh and dry vegetables up 24.2%.

"Looking past some of the volatile monthly effects, the basic message from the PPI report is that core finished goods inflation is low and has moderated substantially over the last year," said Abiel Reinhart, economist at J.P. Morgan.

The core inflation rate—which strips out food and energy prices and is closely watched by the Fed—slid to a 1.4% annual rate in the third quarter from 2% in the second quarter.

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# South Korea moves to cut emissions

*Planned reduction of 30% from expected 2020 level is likely to become a force in reshaping the country's economy*

By Evan Ramstad

SEOUL—South Korea's decision Tuesday to voluntarily reduce its carbon emissions over the next decade will likely become a force in reshaping the country's manufacturing-heavy economy, which is underdeveloped in services, government officials said.

The South Korean government aims to reduce greenhouse gases by 30% from the expected level in 2020 by adopting the strictest of three plans that were under consideration, in step with the United Nation's Kyoto Protocol, which commits developed nations to make reductions in the next few years. Legislation to develop incentives and penalties around the new goal will begin moving through parliament in coming weeks.

Though South Korea isn't required to commit to reductions under the pact, President Lee Myung-bak said he wants the nation to exhibit a commitment to the protocol's broad goals, particularly as prospects dim for a new global agreement on climate-change initiatives at a major meeting in Copenhagen, Denmark, next month.

The Copenhagen agreement is meant to succeed the Kyoto Protocol, which the U.S. didn't join. U.S. President Barack Obama, who will visit South Korea Wednesday night and Thursday, wants the U.S. to be included in the new accord but may not agree to emissions reductions until passage of a climate and energy bill that Congress will address next year.

"Though there are doubtful prospects for the Copenhagen meeting, South Korea's voluntary announcement of the national reduction target will be a chance to urge the international community to make responsible efforts," said Mr. Lee, who has committed the government $100 billion on environment-related technology over the next five years.

South Korea's new target would result in a level that is 4% below its emissions in 2005, which is less stringent than the Kyoto pact's requirement for developed countries to make an average of 5% in reductions by 2012 from 1990 levels.

The nation is categorized as developing under the agreement and therefore isn't forced to make reductions, though as the world's 12th-largest country in economic output it is considered developed by many measures and its greenhouse gas emissions have risen sharply since 1990.

Agence France-Presse/Getty Images

South Korean President Lee Myung-bak, left, talks with Prime Minister Chung Un-chan before a cabinet meeting Tuesday that approved cutting carbon emissions.

South Korea will aim to produce 569 million tons of greenhouse gases in 2020, down 4% from the 590 million tons it produced in 2005 and 30% below the projected 813 million tons it would produce in 2020 with no change to current development methods. The government also considered goals of 21% and 27% reductions versus the projected 2020 level.

Officials said the aggressive target also gives South Korea a lever to shift its economy toward a stronger services sector and away from reliance on the government-led projects, infrastructure and heavy industry that drove its rise from poverty in the 1960s to affluence today.

Kim Sang-hyup , secretary-general of the governmental Presidential Committee on Green Growth, pushed for the aggressive target and said it will prod South Korea to develop its service sector, which is less productive than in other wealthy countries. "When Korean people get a consensus and a good direction, we usually move quickly," he said.

Mr. Lee for more than a year has made "green growth" an economic catchphrase. Government offices have contributed by turning down thermostats. The temperature in Mr. Lee's cabinet room, where the target decision occurred, was 19 degrees Celsius on Tuesday amid an early winter cold snap, according to Mr. Kim.

Several large Korean companies, including steelmaker **Posco** and energy utility **Korea Electric Power Corp.**, expressed support for the decision, though they said they wanted more details. The Federation of Korean Industries, a group representing the country's conglomerates, said the goal "is not an easy task but we will work along with the government."

Mr. Lee said South Korean manufacturers that hit the target are likely to avoid the carbon-related tariffs that some European countries are creating. He also said it will push domestic businesses more deeply into pollution-fighting technology. Already, South Korea's LG Chem Ltd. has been chosen to supply the battery in General Motors Co.'s all-electric Chevrolet Volt that will go on sale next year.

In recent years, South Korea's status under the Kyoto pact that needed no emissions targets has made it a destination for manufacturers in developed countries, such as France, to pay for factory improvements that reduced emissions there but were counted as part of their efforts to reduce emissions at home.

With South Korea setting its own emissions target, South Korean companies might stop selling the rights to such improvements to foreign companies. "Korean companies will seek other Korean companies as partners rather than overseas ones," said Yoon In-taek, a consultant at Ecoeye, a company in suburban Seoul that brokers emission-related deals.

*—Jaeyeon Woo contributed to this article.*

# Australia flags rate increases, but timing uncertain

By James Glynn

SYDNEY—The Reserve Bank of Australia flagged further increases in interest rates, but said it is unsure how quickly it will moves.

The comments are likely to raise doubts about whether the RBA will continue to raise rates at its next policy meeting on Dec. 1, making economic data issued since the November meeting crucial to determining the need.

"Looking ahead, members expected that if economic conditions evolved as expected, further gradual adjustment in the cash rate would most likely be appropriate over time, though the pace of the adjustment remained an open question," according to the minutes of its Nov. 3 policy meeting.

Since that meeting, the central bank has received further upbeat news on the labor market, with jobs added in October and unemployment apparently stalled below 6%. But consumer confidence and retail sales data showed some weakness, suggesting the upturn in the economy may be fragile as the impact of fiscal stimulus fades.

If it doesn't raise interest rates in December, the RBA looks set to continue nudging them higher gradually early in 2010. After December, the RBA's policy-making board next meets in early February.

Prior to the release of the minutes, financial markets had priced in a 70% probability that the RBA would raise rates in December for the third consecutive month.

In the minutes, the central bank highlighted the job the strong Australian dollar would do in creating a headwind for the economy's recovery in 2010.

"The rise in the exchange rate would constrain output and dampen inflationary pressure," it said. The RBA also pointed to tight credit conditions for some borrowers as a constraint on growth. However, it warned that "a lengthy period with interest rates at a very low level carried its own risks, particularly once the threat of serious economic weakness had passed."

Traders immediately moved to pare back bets of a December increase, with interbank futures pricing in a 60% likelihood for another 0.25 percentage point increase.

The RBA has lifted its cash-rate target by half a percentage point since October to 3.5%, making it the only central bank in the Group of 20 to withdraw monetary stimulus.

Macquarie Bank economist Hayden Atkins said the RBA's minutes illustrate that while the bank remains committed to further tightening, much will depend on the data flow between now and the December meeting.

"They're very noncommittal about the near-term need for interest rates to rise particularly quickly," he said. "There is still a lot to come that could shift them either way towards a 25 basis point rate hike or to remain on hold."

*—Enda Curran in Sydney and Rachel Pannett in Canberra contributed to this article.*

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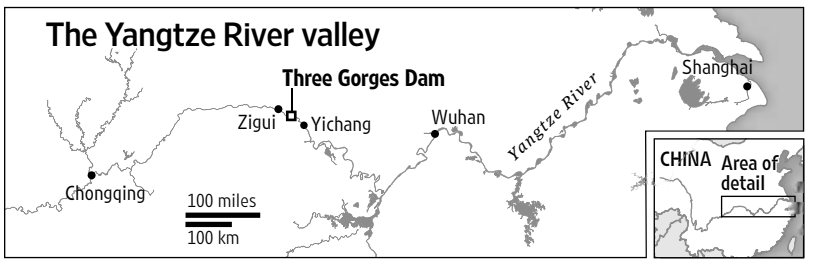
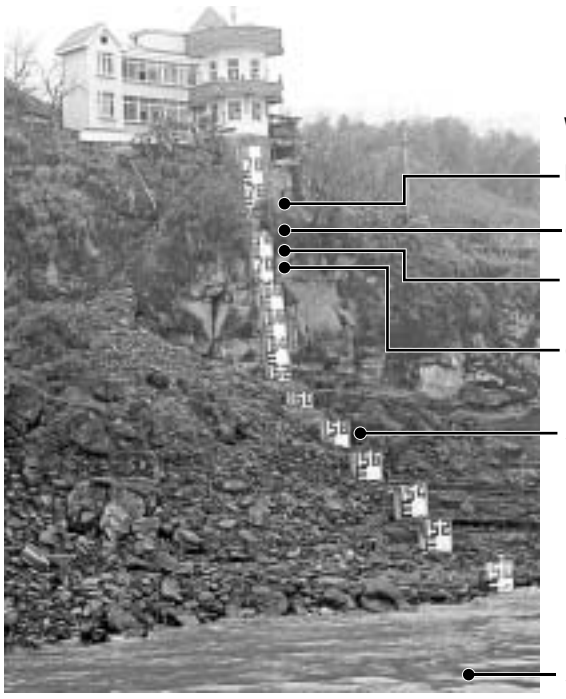
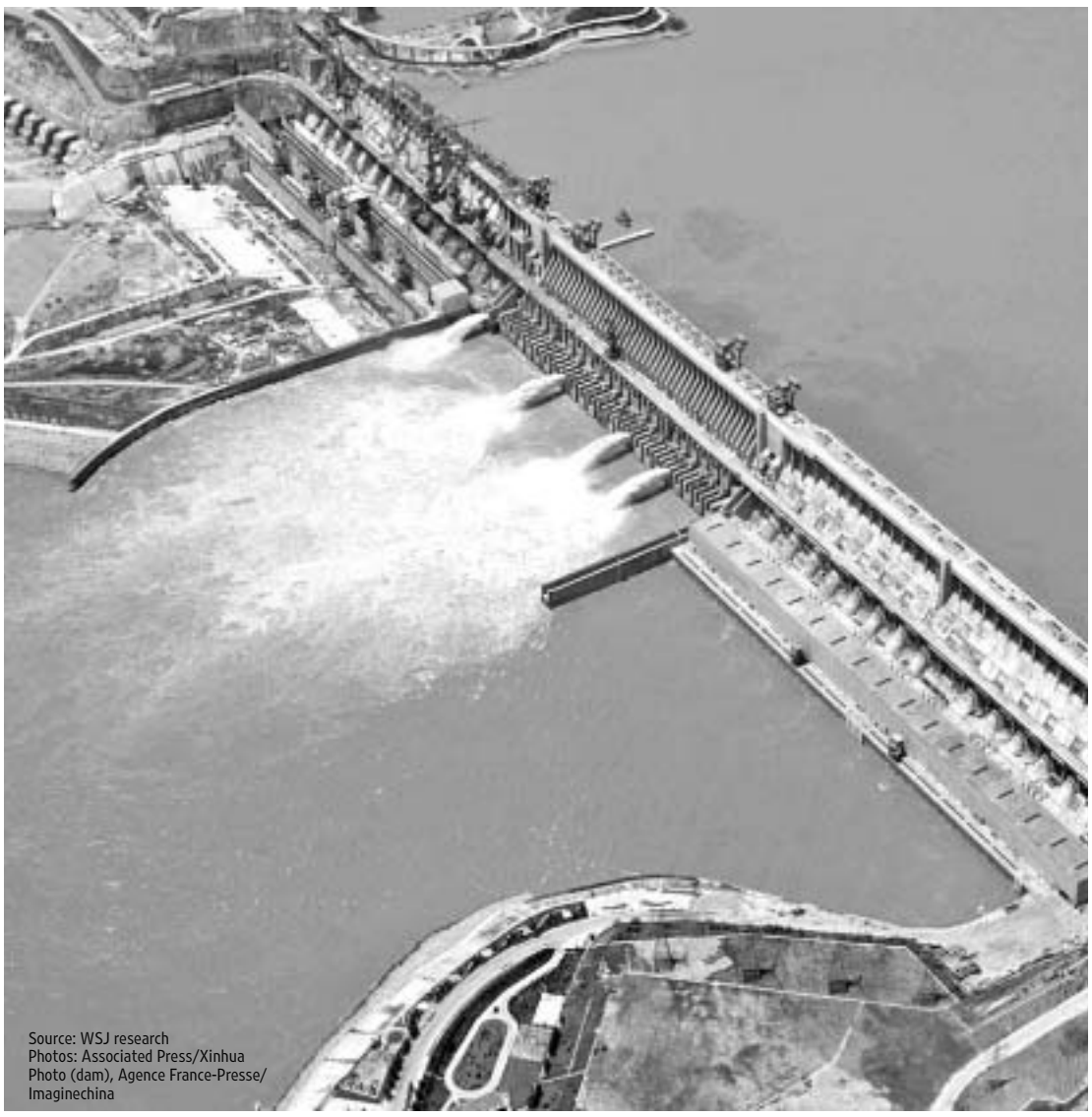



China has for now abandoned a plan to fill its mammoth Three Gorges Dam, right, to a maximum height of 175 meters this year, though authorities have given themselves 2012 to achieve the goal. Yangtze River water levels are highest in autumn, fed by summer rains and runoff from the Himalayan Mountains. Water in the 644-kilometer long reservoir is held behind a wall that is 183 meters high and 2.25 kilometers long. Below, the river's water level has held steady since late October.


Water levels
Full capacity: 175 meters
October 2008: 172.8 meters
Nov. 17, 2009: 171 meters
Oct. 24, 2009: 170 meters
Sept. 30, 2009: 158 meters
Sept. 15, 2009: 145 meters



Source: WSJ research
Photos: Associated Press/Xinhua Photo (dam), Agence France-Presse/ Imaginechina

# Three Gorges Dam remains below full

## *China cites drought, as critics point out environmental issues*

By James T. Areddy

SHANGHAI—A drought in China's midsection makes it unlikely the Three Gorges Dam will be filled to capacity on schedule this year, as experts question how much environmental issues played into the government's decision to abandon a symbolic target.

The scuttling of a water-level goal for this year comes amid concern among Chinese and foreign critics that the dam and its nearly 650-kilometer-long reservoir already have had a detrimental environmental impact.

Residents along the riverside, for instance, have blamed the dam for devastating landslides that have swept away homes and farmland.

Fan Xiao, a Chengdu-based geologist, said he agrees drought is the likeliest reason for the postponement in filling the Three Gorges Dam now, but said authorities may delay it indefinitely if they conclude filling it would have environmental consequences.

Another geologist in the region, Yang Yong, also said he believes geological concerns likely played an important role in the decision.

For now, the man-versus-nature project designed to combat centuries of brutal flooding is hamstrung by a worsening lack of water. In a season when water levels should be rising behind the dam's 183-meter-high and 2.25-kilometer-long concrete retaining wall, they have held mostly steady around 170 meters since late last month.

Reuters/China Daily

An underground power plant of the Three Gorges Dam in Hubei province is shown under construction in September. The project hasn't been filled to capacity, amid concerns over a drought and over environmental consequences such as landslides.

Instead of continuing to add water when the line reached the current level in late October, dam operators began allowing flows out—more than 9,000 cubic meters per second at times—to address downstream demand.

Li Feng, a spokesman for the Chinese State Council's Three Gorges project construction committee, on Tuesday said lower-than-normal Yangtze River flows, owing to the drought, have adversely affected the government's target to reach the maximum level of about 175 meters this month. He declined to comment further.

The plan to temporarily increase the reservoir to full capacity by early November was meant to mark a pinnacle moment for a project the government says has cost $27 billion.

It would have allowed engineers to demonstrate the strength of its retaining walls and the promised power of its hydropower turbines.

In the past, the government has given itself until 2012 to meet the goal of filling the basin to capacity and operating the project at full strength.

In addition to rainfalls that are half normal levels, a growing population, industrialization, pollution and food production have compounded the shortage of water resources.

The nation's breadbasket central provinces this year have seen some grain harvests cut in half, fishing hauls shrink and riverboat shipping lanes dry up. In state television broadcasts, boats on one of the country's largest bodies of fresh water, Dongting Lake, which straddles the provinces of Hubei and Hunan, are shown tilted sideways on a bed of cracked mud instead of bobbing in the deepest water of the year.

Almost a year ago, Beijing also cited drought in announcing delays in the launch of the key central-China section of a multidecade project meant to divert water from the country's south to its parched north.

*—Kersten Zhang in Beijing contributed to this article.*

WORLD NEWS

# Saudis tighten grip on Yemen border

*Officials in Riyadh say continuing military operations against rebels are necessary to ensure area remains secure*

By Mohammed Aly Sergie And Summer Said

RIYADH—Saudi Arabia's offensive against Yemeni rebels along the two countries' border has moved into a second week, as Saudi commanders tightened their grip on the frontier. United Nations workers said the number of displaced on both sides is growing.

Late last week, Saudi Arabia said it had set up a 10-kilometer buffer, or "kill," zone inside Yemen. It warned civilians to stay clear and said it will shell the area to keep rebels from reentering the kingdom.

Last week, the Saudi navy set up a blockade off Yemen's northern Red Sea coastline, in what the kingdom says is an effort to keep fresh supplies from reaching the rebels.

Saudi officials said that they have successfully cleared rebels from their territory and that a continued military operation is necessary to ensure its border stays secure.

Yemen's central government in San'a has said it isn't cooperating with the Saudis in their operation against the Houthi rebels, who have engaged in a five-year insurgency in the north of the country to win autonomy. But they also haven't condemned Riyadh's aggressive military action, saying Saudi has a right to defend its frontier.

Many details of the fighting remain unclear. Neither side has disclosed casualty figures. Yemen bars journalists from the contested region.

A rebel spokesman said Monday that rebel forces were continuing to fight. They attacked a Saudi military base inside the kingdom's territory with rockets, he said. It wasn't possible to confirm the claim.

In Saudi Arabia, 240 villages have been evacuated because of the fighting, according to Sigrid Kaag, the regional director for UNICEF's Middle East and North Africa operations. More than 1,400 families are currently displaced, according to the official Saudi Press Agency.

The toll in Yemen, the region's most impoverished country, is steeper.

So far, as many as 175,000 people have been displaced since the civil war began in 2004. That is up from an estimated 150,000 just a few weeks ago, before the Saudi offensive, according to UNICEF.

The Saudi operation began after unknown gunmen crossed the border this month and killed a Saudi border guard.

The border conflict has been colored by accusations on both sides that the fight is turning into a proxy battle between Saudi Arabia and Iran, the region's two dominant powers.

Yemen's central government accuses Iran of arming the rebels, but hasn't provided any evidence of that claim.

The Houthi rebels accuse Saudi of colluding with the central government in San'a.

The rebel spokesman denied Iran is arming his fighters, and a senior Saudi official says he doesn't believe Iran is providing material support to the rebels, either.

Still, rhetoric on both sides has ratcheted up recently. Saudi Arabia's top cleric, speaking in the local press, was quoted Monday saying alleged Iranian collaboration with the rebel group fighting Saudi forces was one of "sin and aggression." Earlier, 40 Saudi clerics put out a statement saying Iran is destabilizing Muslim nations by implanting, financing and arming agents to spread Shi'ism.

Last week, Iran's foreign minister warned other powers not to interfere in Yemen's affairs, a clear reference to Saudi Arabia.

Saudi officials have played down the military challenges along the mountainous border. One senior official said the Saudi army, navy and air force are battling just several thousand rebels, and forces have captured 350 of them. The rebel spokesman, meanwhile, said the rebels have so far shot down three Saudi military aircraft. Saudi Arabia hasn't reported any missing planes.

Agence France-Presse/Getty Images

Saudi men sit outside a tent housing Saudis and Yemenis who fled their homes because of fighting near the Yemen border.

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# Some OPEC members ramp up capacity

*Continued from first page*

Asia, not including Japan, grew by 22% in 2000-08, according to OPEC data. By comparison, shipments to North America, mainly the U.S., were flat in that period.

Prices, meanwhile, have risen about 77% this year to $79 a barrel, thanks in part to a weak U.S. dollar that is encouraging investors to buy higher-yielding oil futures contracts, and on big OPEC production cuts this year. Those cuts are likely to be kept in place at the group's final meeting of the year scheduled for Dec. 22 in Angola, OPEC officials say.

But problems seem set to mount. In the near term, a persistent glut in crude inventory this year is expected to tarry into 2010. Meanwhile, the long-term outlook is softening. The International Energy Agency, a Paris-based energy adviser to industrialized nations, last week sharply downgraded its world demand forecast to 2015 to 88 million barrels a day, just three million barrels a day more than today, due to fallout from the recession and energy efficiency efforts.

Yet, OPEC is cranking up its ability to produce oil—and that could extend the current supply glut. "With these expected capacity additions, mediocre economic performance and weak demand, we currently foresee [OPEC] spare capacity to remain above five million barrels a day beyond 2015," said one senior Gulf OPEC official.

Among the most aggressive has been Angola, which has doubled its production capacity—from a low base—since 2004, to about 2.1 million barrels a day. Most of the output from its 100,000-barrel-a-day Tombua-Landana offshore project will start in 2010. **Chevron** Corp. is developing the $3.8 billion project.

"We have new projects that will start in coming years. We will want a higher quota at some point," an Angolan oil ministry official said.

At the same time, Saudi Arabia is completing one of its biggest oil-drilling programs, boosting the kingdom's total oil output capacity to 12.5 million barrels a day by early next year, up about a net 1.5 million barrels a day versus a few years ago.

Then there are big capacity increases coming in Iraq and Nigeria, two OPEC producers riven with security problems in recent years that have sharply cut oil output. Now, they may be getting their petroleum sectors back on their feet with new projects and the resurrection of dormant facilities.

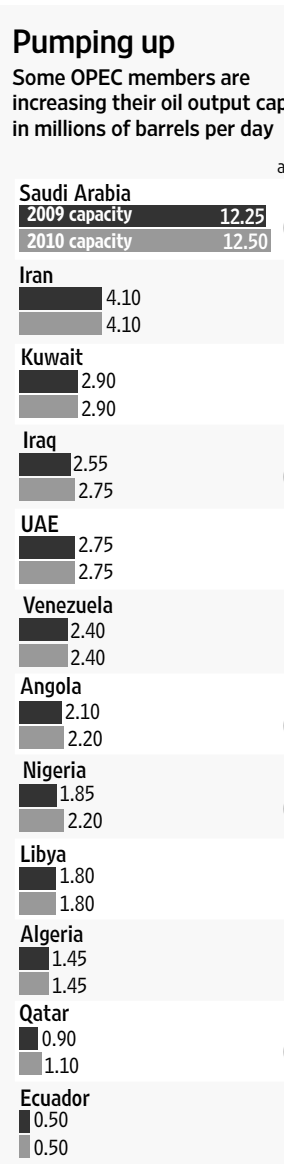
**BP** PLC and other companies that recently signed drilling contracts with the Iraqi government requiring them to deliver quick results will "rehabilitate" existing oil fields, which may elevate Iraq's crude output next year by 300,000 barrels a day to a total of 2.8 million barrels a day.

David Kirsch, director of market intelligence at PFC Energy, thinks Iraq's total capacity could top four million barrels a day by 2015 if political and security problems don't get in the way. Even on that conservative assumption, such output would make it hard for OPEC "to manage markets over the medium term," Mr. Kirsch said.

In Nigeria, a government amnesty that offered thousands of militants money to stop destroying oil infrastructure may yet fall apart—but so far has held up the past few months. That has allowed Nigeria to export more crude and more barrels could hit the market soon.

## Pumping up

Some OPEC members are increasing their oil output capacity, in millions of barrels per day




Source: Medley Global Advisors

Reuters

Iraqi workers walk in front of a refinery in the South Rumaila oilfield in Basra, Iraq.

# Nuclear agency warns of more Iran plants

By Jay Solomon And David Crawford

WASHINGTON—The United Nations atomic watchdog said Iran could be constructing a number of covert nuclear installations in addition to a secret uranium-enrichment facility the Obama administration disclosed in late September.

The International Atomic Energy Agency also said in a quarterly report released Monday that Iranian officials have told the U.N. that Tehran plans to begin operating the previously unknown nuclear-fuel facility outside the holy city of Qom by 2011.

The IAEA report is the last to be released under departing Director General Mohamed ElBaradei. U.S. officials have long criticized the Egyptian for deflecting Washington's criticism of Iran in official reports. Diplomats said Monday that the latest report was notable for its sharp tone.

On Tuesday, Iranian nuclear envoy Ali Asghar Soltanieh denied the U.N. inspectors' tour turned up evidence Tehran is seeking nuclear weapons, the Associated Press said. It quoted him saying on Iranian television that the IAEA report "showed that there was no deviation in Iran's peaceful nuclear program."

U.S. and European officials believe the Qom site is designed to process Iran's low-enriched uranium into weapons-grade material. The IAEA said in its new report that Tehran has produced 1.76 tons of low-enriched uranium, enough to produce one or two atomic devices if enriched further.

In the report, the IAEA urged Iran to provide more information on the Qom plant, as well as greater access to Iranian scientists and documents. Without that access, the agency added, the international community can't be certain Tehran isn't developing a much larger clandestine nuclear infrastructure for military applications.

"The agency has indicated [to Iran] that its declaration of the new facility reduces the level of confidence in the absence of other facilities," the IAEA report said. "[It] gives rise to questions about whether there were any other nuclear facilities not declared."

Iran told U.N. investigators who visited the Qom facility last month that it began construction in 2007. But the IAEA said in its report that technical analysis and satellite imagery suggested Tehran actually started working on the plant in 2002.

The IAEA's disclosure Monday places added pressure on the Obama administration's efforts to use diplomacy to constrain Iran's nuclear ambitions. President Barack Obama has given Iran until year-end to show a commitment to negotiations or face expansive new economic sanctions.

Last month, the U.S. and other global powers presented Iran an offer to better manage Tehran's stockpile of nuclear fuel. The deal calls for Iran to ship roughly 70% of its low-enriched uranium to Russia and France for reprocessing into fuel rods for Tehran's medical-research reactor. The White House believes the transfer of the nuclear fuel to international custody would prevent Iran from producing nuclear weapons in the near term, while buying time for diplomacy.

In recent weeks, however, Iran has started to step back from its initial commitment to the nuclear-fuel deal. Tehran has said it won't agree to shipping out its low-enriched uranium in one batch. U.S. officials said that without a single-batch transfer of Iran's fuel, the deal loses its merits, and they stressed that Washington won't renegotiate its offer.

"Now is the time for Iran to signal that it wants to be a responsible member of the international community," U.S. State Department spokesman Ian Kelly said Monday. "We will continue to press Iran...to meet its international nuclear obligations."

Iran has said its nuclear program is focused wholly on peaceful ends. On Sunday, Iranian President Mahmoud Ahmadinejad said Western pressure only makes Iran more determined to advance its nuclear capabilities.

"Cooperation with Iran in the nuclear field is in the interests of Westerners. Their opposition will make Iran more powerful and advanced," he said in a statement posted on the presidential Web site.

Mr. Obama is using his first trip to Asia as president to try to gain Russian and Chinese support for new financial sanctions against Iran in case diplomacy fails. Both Moscow and Beijing have voiced reluctance to back new coercive measures against Tehran. Both nations have deep energy and security ties to Iran.

On Monday, however, Moscow suggested that it might be more supportive of U.S. policy.

Russia's energy minister told state media that a Russian-designed nuclear reactor being constructed in Iran wouldn't be operational this year. Russian officials cited technical issues, but U.S. officials say they believe the announcement may be an effort to pressure Iran because Russia built the reactor and has committed to supply fuel.

The IAEA's Mr. ElBaradei leaves his post at the end of the month and will be succeeded by Japan's Yukiya Amano, who has suggested he will play a less political role than his predecessor and focus more on technical aspects of preventing nuclear proliferation. Some U.S. officials say the IAEA could take a harder line on Iran and Syria in coming years under Mr. Amano's stewardship.

The IAEA on Monday also said Syria continues to defy U.N. requests for greater cooperation into a probe of Damascus's alleged nuclear activities. The U.S. charges Syria with secretly building a nuclear reactor with the support of North Korea. The Israeli air force destroyed the site in late 2007.

The IAEA has specifically been seeking President Bashar Assad's help in tracing uranium particles that U.N. investigators found last year at the bombed site. Syria denies it was secretly building the reactor. But IAEA officials said the uranium isn't from Syria's declared stock, nor is it likely to have come from Israeli munitions, as Damascus claims.

The IAEA also is seeking clarity from Syria on traces of fissile material that agency investigators found during an inspection of Damascus's research reactor. "Essentially, no progress has been made since the last report to clarify any of the outstanding issues," said the IAEA's report.

The U.S. and some Western governments have discussed in recent months the merits of pushing the IAEA to conduct a "special inspection" of Damascus's alleged nuclear infrastructure. If such an inspection was approved by the IAEA's board, Syria would either have to comply or potentially face U.N. sanctions.

Syria is Iran's closest strategic ally and the two nations cooperate closely in arming and funding militant groups fighting Israel, such as Hezbollah in Lebanon and Hamas in the Palestinian territories. Some Western diplomats said there have been concerns that Tehran was aiding Damascus's nuclear pursuits, though the IAEA hasn't disclosed any evidence of this.

WORLD NEWS

# More U.S. households ask for food aid

By Scott Kilman And Roger Thurow

The U.S. Agriculture Department said Monday the number of households that reported struggling to buy enough food in 2008 jumped 31% over the previous year.

According to the USDA's annual poll, 17 million U.S. households reported some degree of food insecurity in 2008, up from 13 million households in 2007.

"It is time for America to get very serious about food security and hunger," said Agriculture Secretary Tom Vilsack, who is pressing Congress to expand such programs as food stamps and free school lunches that consume roughly 70% of his department's budget.

Comparable numbers for 2009 aren't available yet. Officials with organizations involved in feeding the hungry say the survey results square with rising demand at food pantries: the number of people seeking help this summer is up an average of 30% from the summer of 2008, according to a recent survey of food banks by Feeding America, a food-bank network.

The 2008 survey results suggest that almost 15% of U.S. households had trouble putting enough food on their tables, up from 11% in 2007; the proportion is the highest detected by the survey since it began in 1995. Put another way, about 49 million people, including about 17 million children, worried last year about getting enough to eat.

Maura Daly, vice president of government relations for Feeding America, said 90% of food banks in the recent survey reported that, according to anecdotal evidence, unemployment is the leading factor for the increased demand.

U.S. consumers in 2008 also saw a sudden acceleration in the cost of food. While the food inflation rate has stalled this year, some economists are worried that the move by many recession-weary farmers to cut production might ignite grocery prices again next year.

The global recession is helping swell the number of hungry people around the world to the highest levels since the early 1970s.

But the way USDA economists measure food worries in the U.S. is far more liberal than their gauge for other nations, where people are labeled food insecure only if they consume fewer than 2,100 calories a day. Few of the U.S. households labeled as food insecure by the USDA have it that tough.

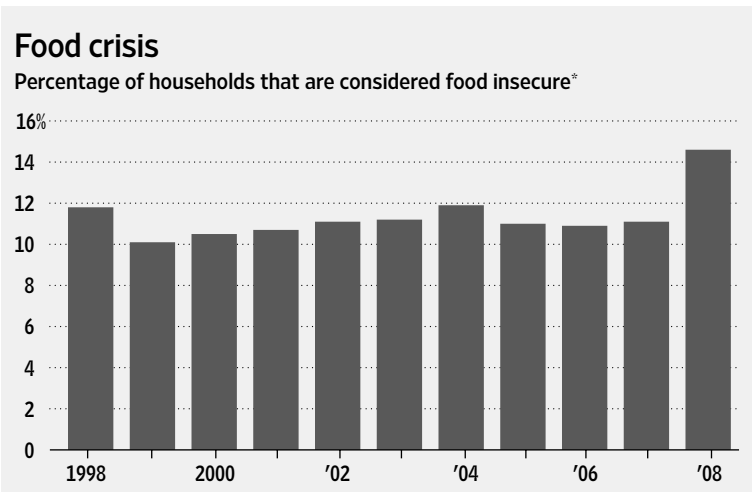
Instead, the USDA's domestic survey tries to quantify the number of households that have difficulty providing enough food at some time during the year. Many of these families are able to avoid hunger by participating in such federal nutrition programs as food stamps, or by having their children participate in a free school-lunch program.

Still, the USDA survey indicates that someone in about one-third of food-insecure households experienced some hunger or came very close to it in 2008. In these households with very low food security, food consumption fell and normal eating patterns were disrupted.

According to the survey, 6.7 million U.S. households had very low food security in 2008, up 43% from 4.7 million households in 2007.

Associated Press

Food banks in the U.S. are seeing a jump in people who need help putting food on the table, a survey says.




*Based on conditions known to characterize households having difficulty meeting basic food needs
Source: USDA

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THE PROPERTY REPORT

# CapitaMalls plans to raise $2 billion in IPO

*Offering by CapitaLand's Asia mall unit would be Singapore's biggest in 16 years*

By Se Young Lee and Frankie Ho

SINGAPORE — **CapitaMalls Asia** Ltd., **CapitaLand** Ltd.'s Asian shopping-mall unit, plans to raise up to 2.76 billion Singapore dollars (US$1.99 billion) in what will be Singapore's largest initial public offering in 16 years.

CapitaMalls Asia said it will sell about 1.17 billion shares at S$2.12 apiece. The IPO could raise up to S$2.76 billion in net proceeds if an overallotment option is exercised in full.

The IPO will be the largest in Singapore since national communications carrier Singapore Telecommunications Ltd. listed in 1993.

CapitaLand Group President and Chief Executive Liew Mun Leong said there was strong demand for the offering from European and U.S. institutional investors.

He also said mall shopping still comprises only a very small part of retail trade in China and India compared with markets such as Singapore and the U.S., but that there is a lot of capacity for retail trade to grow in these emerging markets.

The region's rapidly growing economies are creating a broader middleclass that has more capacity to buy.

"Asia as we know cannot rely on exports only, it must stimulate its domestic economy and domestic consumption," Mr. Liew said.

"This domestic consumption will have to be supported by shopping malls."

The offer price is 1.55 times proforma book value as of Sept. 30, according to the prospectus for the deal .

An analyst said the price-to-book-value ratio could rise to 2.0 times given the currently low book value of Capitamall's Chinese assets. "The issue for investors is when this value will be realized," the analyst said. "The assets in the second-tier [Chinese] cities are not really in the mature stage yet."

Mr. Liew said CapitaMalls Asia's China retail space makes up 63.5% of its total gross floor area.

"This suggests the potential for significant long-term capital appreciation given that the property value of its China portfolio, on a per square foot basis, is only one-fifth of the Singapore portfolio," Mr. Liew said.

CapitaLand would retain a 70% stake in the company if the overallotment option for the IPO isn't exercised.

The offer price is below the midpoint of an indicative price range of between S$1.98 and S$2.39 a share cited by a person familiar with the transaction last month.

CapitaLand Chief Financial Officer Olivier Lim said the offer price is "rich enough to give CapitaLand a big windfall but a very fair price where people will see good value in the shares."

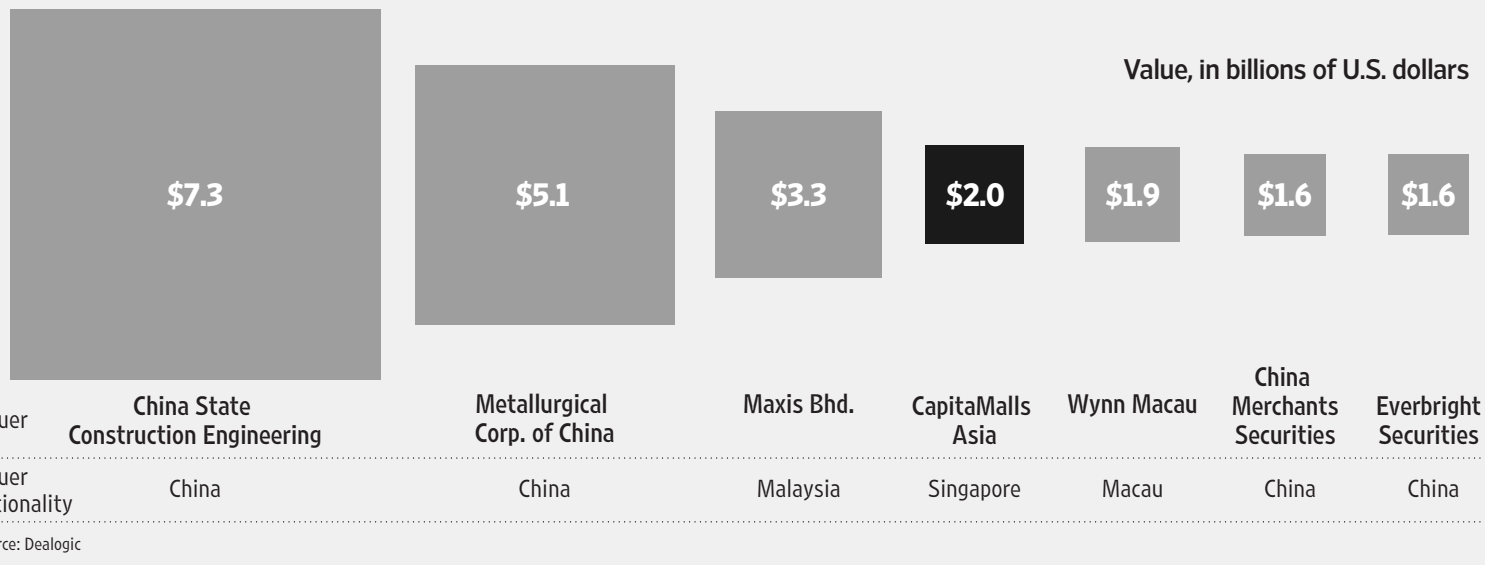
CapitaMalls Asia has a portfolio of 86 retail properties worth S$20.3 billion, spread across five countries in Asia: China, Singapore, Japan, India and Malaysia.

The public offer begins Wednesday and closes on Nov. 23. Trading in the stock is to start on Nov. 25.

J.P. Morgan is the sole financial adviser for the deal, according to the prospectus. J.P. Morgan, DBS Bank, Credit Suisse and Deutsche Bank AG are handling the order-taking process.

*—Sam Holmes*
*—contributed to this article.*

**Tapping markets** | Largest IPOs in Asia this year

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# BUSINESS REAL ESTATE

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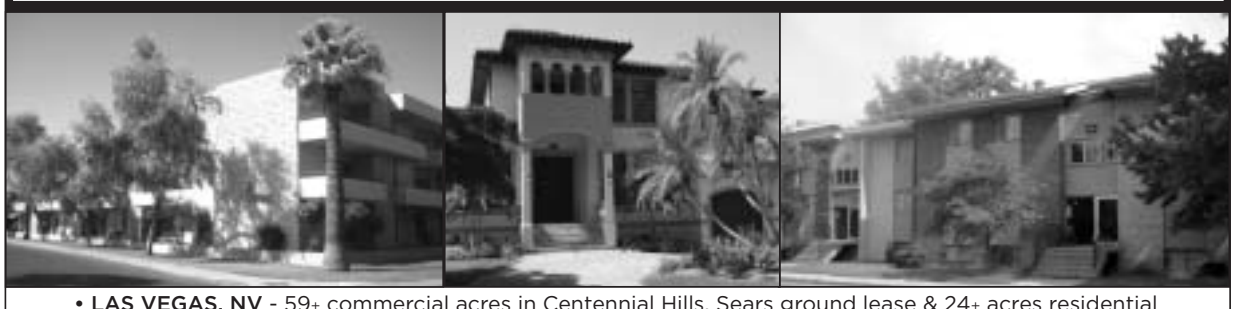

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THE PROPERTY REPORT

# HSBC sees pickup in U.S. home market

*Sales of foreclosed properties show signs of revival, but hurdles loom; subprime salvation?*

By Sara Schaefer Muñoz

When the subprime-mortgage crisis hit in the U.S., **HSBC Holdings** PLC's U.S. unit foreclosed on thousands of homes, many of which it then couldn't unload. Now, there are modest signals that the bank is having an easier time reselling those homes and recouping losses.

The signals are positive for HSBC, the London-based banking giant that has been dragged down by billions of dollars in losses in its U.S. unit as it seeks to expand in emerging markets, especially Asia. Yet the progress may be short-lived, as selling distressed properties could again become more difficult when government foreclosure-protection programs and other measures come to an end.

The bank entered the U.S. subprime market in 2003 with the purchase of lender Household International Inc. and quickly built up a large portfolio of assets consisting mostly of risky mortgage loans. It has so far taken more than £40 billion ($67 billion) in impairment charges on its U.S. unit. The bank said earlier this year it would exit from its entire U.S. consumer lending businesses, except for credit cards, but it would continue to service existing loans.

According to regulatory filings, HSBC's U.S. consumer-lending arm had 6,266 repossessed properties on its books in the third quarter, down nearly 12% from the 7,105 properties in the previous quarter. The number of new foreclosures added to HSBC's books held steady, dropping slightly from 3,463 in the second quarter to 3,448 in the third quarter.

Reuters

One of the houses listed in a foreclosures auction in Detroit last month.

The repossessed properties on HSBC's books during the third quarter represented a 43% drop from the 10,887 in the third quarter in 2008, when 5,416 of the properties were new foreclosures.

The filing also shows the bank has been able to sell repossessed properties slightly faster, unloading them in an average of 184 days in the third quarter, compared with a peak average of 201 days at the end of the first quarter.

The movement is "helpful because it allows the bank to realize collateral and convert it into cash," says Robert Law, a banking analyst at Nomura. "The hope is that you are past the worst in terms of the asset quality."

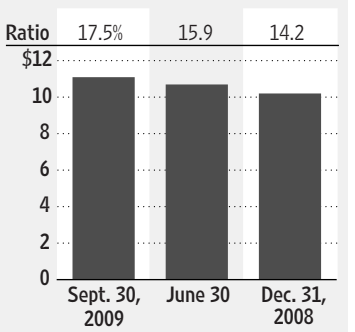
The bank's average 8.4% loss on the sale of a foreclosed property in the third quarter was also down from a loss of nearly 13% in the second quarter, and nearly 17% at the end of the first quarter. The bank said that was due to stabilization in home prices in the third quarter, which resulted in less value deterioration between the time HSBC took possession of the property and when it was sold.

The average total loss on the sale of foreclosed properties, which includes the cumulative write-downs on the unpaid loan, has remained steady, at around 52%, in the past three quarters.

To be sure, the bank notes that part of the reason it is holding fewer properties is that many foreclosures have been delayed due to backlogs and government-backed foreclosure-prevention measures. The bank has also modified a number of mortgages to keep people in their home. So far in 2009, the bank has modified 95,000 customer accounts, up from 92,500 in 2008.

**Payment problems**

Loans two months or more past due in HSBC Finance's real-estate secured portfolio, in billions of dollars and percentage of loan portfolio




Source: the company

However, an HSBC spokeswoman said the current figures also reflect more price stability in some markets—which encourages potential buyers—and some reduced sales time. She said HSBC works with 450 real-estate agents across the U.S. and ensures the properties are maintained.

The latest HSBC foreclosure data illustrate that in some pockets of the U.S., lenders are making modest progress in unloading the glut of foreclosed homes on their books. That is due partly to steep price declines from market peaks in some hard-hit areas, such as Florida and Nevada. Also, new-home inventory has fallen sharply, leading more buyers to consider foreclosed homes, says Mike Inselmann, president of Metrostudy, a Houston-based real-estate research firm.

"Generally they are able to move [foreclosed homes] a little faster," Mr. Inselmann said. "There's been a response to price discounting...especially in areas with restrictions on new building."

How long that trend will last remains uncertain. HSBC points out the number of its repossessed properties is expected to increase as more foreclosed homes hit the market, which could happen when government foreclosure-prevention programs wind down within the next several years.

"The uncertainty is whether the stabilization you are seeing reflects actions authorities have taken...and whether once those things come to an end and you will start to see a deterioration again," Mr. Law said.

HSBC's third-quarter results last week contained other positive signs for its U.S. consumer-lending business.

Loan-impairment charges in the U.S. unit fell slightly in the third quarter, to $3 billion, compared with $3.36 billion in the previous one and $4.19 billion a year ago. The provisions are still ample enough to handle the bank's expected bad loans, analysts say.

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# MIPIM Asia Preview

*Special Advertising Section*

## Investors focus on China as real estate recovers

By **Alex Frew McMillan**

ASIA has been the first part of the world to see its real estate markets rebound after the financial crisis, and the region seems to have few of the persistent problems with property that plague places such as the U.S., the U.K. and parts of continental Europe.

In some parts of Asia, property prices are approaching or even above their precrisis levels, particularly on the residential side. The fear in China and Hong Kong as the year comes to a close is of another bubble building rather than a prolonged slump.

But it is in those parts of Asia that the greatest opportunities lie for institutional investors, according to Victor Lai, managing director of Hong Kong-based Centaline Surveyors. "Mainland China and Hong Kong will be the most appropriate place for investment," says Mr. Lai.

According to Mr. Lai, Hong Kong is one of the most transparent property markets in the world. That makes it a relatively easy and safe place for large investors to put their money to work. However, China has been a frontier market, with generally poor standards of market data and reporting. But the country has been making great strides, determined to attract overseas capital, says Mr. Lai.

"Mainland China has changed a lot," he says. "Now the property transactions are more transparent. Most of the cities have their own centralized transaction registries. It is much better than before."

### Stimulus package

He is not alone in recommending that investors focus on China, which has warded off the worst effects of the global financial crisis with a four trillion yuan ($586 billion) stimulus package, a huge boost to the world's largest nation. According to Bank of America Merrill Lynch, China's economy is expected to grow 8.7% in 2009 and 10.1% in 2010, similar to precrisis levels. The lowest quarter for growth was the first quarter of this year when annualized growth fell to 6.1%.

As a result, "the retail market seems to be holding up quite well in China," says Simon Smith, Hong Kong-based head of research and consultancy at global real estate brokerage Savills. Rents in some of Shanghai's top shopping centers — such as Raffles City and Grand Gateway — stayed firm. And average rents of prime retail properties in that city, after falling 40% in the first quarter of this year, steadied in the second quarter showing just a 0.6% decline.

PHILIPPE LOPEZ/AFP/Getty Images

Rents of Shanghai's prime retail properties have steadied.

"The thought that there might be some opportunity there has led some people to refocus on China, particularly if you can get sensible opportunities in 'first tier' China at sensible yields," says Mr. Smith.

Commercial property prices in the first-tier cities, or the "Big Four" of Beijing, Shanghai, Guangzhou and Shenzhen, became overinflated in the eyes of many property investors during the last property bull market. Institutions, therefore, switched their attention over the past few years to second-tier or third-tier cities, still with sizable populations but with much cheaper real estate. The popping of the credit balloon has released some hot air, market watchers say, encouraging investors to turn to the Big Four again.

### Local knowledge

Institutional investors from outside Asia may find it hard to compete with local investors, however, who are often cash-rich, have strong local knowledge and connections, and are prepared to make more speculative bets. China is also in the process of defining the rules for how its insurers are allowed to invest in property, which promises to introduce a large amount of capital that will chase the country's prime real estate assets. The country's insurance companies may be willing to accept much lower rental yields than overseas institutions, content to take a very long-term view of the market and hope for capital gains.

Other markets have followed Hong Kong and mainland China in rebounding. In Singapore, "everyone thought the market would go lower and lower, so they were holding onto their bullets," says Amous Lee, Hong Kong-based director of international investment at international real estate brokerage Knight Frank. "Then they saw the market coming back. So now, when projects launch, the takeup rate has been remarkable."

In Singapore Knight Frank is marketing the Straits Trading Building, a 28-story office project in Raffles Place due to top out next year, and several suburban office developments including the six-story Haw Par Centre and the eight-story Tampines Plaza.

The surge — in China, Hong Kong and Singapore — has been driven primarily by private domestic purchasers, says Mr. Lee. Low interest rates have meant that investors in cities such as Hong Kong and Singapore have had little option but to put their money in stocks or property, if they want anything more than a token return.

Beyond China, large funds and other institutions have been keen to watch for any signs of distressed assets coming on the market in developed markets such as Japan, Singapore and Hong Kong. But they have been generally disappointed, with landlords able to retain their assets, and Asia's economic rebound removing the pressure to sell.

"There's a wonderful expression taking root at the moment which is that a rolling loan gathers no loss," says Mr. Smith of Savills.

Institutional investors are currently being very specific about the markets they will consider, and what property sectors, says Knight Frank's Mr. Lee. Some want safe bets. Others want to speculate.

For instance, he mentions a Hong Kong fund that only wants to purchase office buildings in central Tokyo that will generate annual rental yields of 7% to 8% for the next 10 years — solid, core assets. But some Chinese institutions want to chase the highly priced market for Hong Kong office space, where rental yields are very low but the chance of capital appreciation over the next decade is good.


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# Aedas international strengths focus on a global future

The troubled financial markets that took hold just over a year ago and led to global economic insecurity also left the architecture and design services sector facing some stiff challenges. However, for Aedas, the world's largest architectural firm with more than 2,000 architects and over 40 design offices spread across 20 countries, the economic crisis has also presented new opportunities in addition to challenges.

"Our Asian activities have held up surprisingly well," said Keith Griffiths, Aedas chairman. "In mainland China there were no project stoppages," he added. Adeas was also able to maintain near-normal operations in Hong Kong and Singapore where the firm is involved with major infrastructure projects in addition to commercial projects.

A similar pattern emerged in the Middle East where Aedas recently opened new offices in Abu Dhabi and Doha. Even in Dubai, where architecture and design projects came to a standstill, Aedas was able to complete extensive design work on the Gulf State's 47-station Metro Line. A bright spot in the otherwise stagnant Dubai commercial sector, Aedas was also able to complete Ocean Heights One, Boulevard Plaza and U-Bora Towers.

As governments in Asia and the Middle East allocate financing to infrastructure projects, Aedas said nimble management and swift reengineering of the firms' business model had allowed it to take advantage of the changing trend. Prior to the economic crisis, Aedes projects comprised about 70 per cent commercial and 30 per cent infrastructure. In the current environment, this has been largely reversed. Wherever needed, Aedas architects and design professionals are ready to work closely with state and local officials to help them use resources earmarked for infrastructure projects effectively.

Although Aedas employs more than 2,000 design and architectural specialists, each office operates as a family with each entity contributing specialist skills to the extended Aedas network. The Aedas management believes this structure provides the flexibility to smoothly adapt to changing market needs.

### Making inroads in Europe

In Europe, Aedas has been expanding the breadth and depth of its operations through acquiring existing businesses and integrating them into the company's international network. Adding strength to the Aedas brand, the firm recently opened new offices in Turin and Belgrade. Aedas is using its strong reputation to expand its network into Western Europe, traditionally a highly competitive market of smaller companies.

Building on its comprehensive infrastructure base, Aedas is seeking opportunities in established markets including France, Germany and Spain, where the firm plans to open new offices next year. Aedas also plans to open a Centre of Design Excellence in London, to act as the clearinghouse for its major international projects, which will also significantly add to its activities in the UK capital. In the UK, Aedas continues to work government infrastructure and schools building programme, which have been unaffected by the recession.

During the year, Aedas completed several notable and landmark projects including North Satellite Concourse in the Hong Kong International Airport, North Star mixed-use Development in Beijing, Crown Plaza Hotel in Huizhou, the hotel towers of Marina Bay Sands Integrated Resort and 313@Somerset in Singapore. The firm also finds it gratifying the design for the important museum, which will stand on the site of the former US World Trade Centre, have been finalised and the project is now moving ahead. Aedas is also pleased to have won the design for the West Kowloon Terminus of Hong Kong - Shenzhen - Guangzhou Express Rail Link, awarded based on a competitive international competition.

### Consolidating for future growth

Looking ahead, the company considers China will continue to be the Asian economic powerhouse and as such provide Aedas with attractive opportunities. The firm also sees strong potential in the Asian region where governments continue to support infrastructure projects. In addition, Aedas believes its Middle East activities will continue to grow as the firm builds on its successfully completed projects and its reputation as an infrastructure and commercial design specialist. "We consider the current environment to be one of consolidation and identifying potential," said the Aedas chairman. "Our goal is to utilise Aedas global network to produce local solutions to make sure buildings and structures add meaning and value to the built environment and the daily lives of people that live and work in a particular community," he added.

### Aedas Fast Facts

**Global Ranking:** Aedas is the second largest architectural practice in the world.

**Global workforce:** Over 2000

**Services offered:** Architecture, Urban Design and Landscape, Interiors.

**Sectors:** Mixed-use, Office, Retail, Residential, Hotel & Resort, Education, Sports, Transport, Civic & Culture, Healthcare, Technology & Labs.

**Number of Offices:** 41

**Number of Countries:** 18

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Ocean Heights, Dubai, UAE

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North Star Mixed-use Development, Beijing, PRC

# MIPIM Asia Preview

*Special Advertising Section*

## New developments focus on environmental features

By **Joseph Dobrian**

ALTHOUGH real estate developers in many major Asian markets have been accused of insufficient concern regarding environmental issues, some are making a point of building green.

A massive project in Incheon, South Korea, Songdo International Business District (IBD) is a 1,500-acre waterfront development which New York-based developer Gale International claims is the largest private real estate project in the world. Gale is partnering with Posco E&C, a Pohang, South Korea-based general-construction company, to create a master-planned community that will include nearly 100 million square feet of commercial and public space. When it's completed in 2014, Songdo IBD will host 65,000 residents and 300,000 workers.

"Long-term sustainability and the minimization of the city's carbon footprint have been considered in every design and engineering decision," says Stanley C. Gale, Gale International's chairman and managing partner. "Green principles permeate Songdo's DNA."

Songdo's green features include water-cooled central air conditioning, a massive citywide pneumatic centralized waste-management system, building-integrated pholtovotaics (technology that converts sunlight into electricity) in some buildings, and, eventually, the first hydrogen fuel cell-powered municipal bus fleet in Asia. Public green spaces will use indigenous plants that require little or no irrigation, and waste water from larger buildings will be collected, treated and reused for nonpotable purposes.

Individual green buildings and multibuilding complexes are going up all over Asia, and public recognition of their sustainability is regarded as a top selling point. Three recent projects are shortlisted for the MIPIM Asia 2009 Green Building Awards:

Gale International

Songdo International Business District in Incheon, South Korea, aims to achieve long-term sustainability and minimal environmental impact.

● **11 Tampines Concourse (Singapore)**
Designed by Architects 61 Pte. Ltd. and developed by City Development Ltd., both based in Singapore, 11 Tampines Concourse — a three-story office building in Singapore's District 18 — includes an energy-efficient building envelope and ecofriendly fittings for energy and water efficiency, and was constructed with a wide range of recycled materials. The "green concrete" was made of copper slag, recycled concrete aggregates, and ground granulated blast furnace slag. Other green features include a natural day-lighting system in many public areas, and a noncompressor fresh-air-cooling system that employs water, instead of chemical refrigerants, as a cooling agent. The estimated CO2 emissions generated during construction and operation will be offset by the purchase of carbon credits through the London-based Carbon-Neutral Company.

● **7 and 9 Tampines Grande Office Building (Singapore)**
By the same architects and developers, this 301,000-square-foot development includes photovoltaic cells, a solar-powered air conditioning system, reclaimed water for toilet flushing, photo sensors to control perimeter lighting, rainwater collection, state-of-the-art heat-recovery and nonchemical water treatment.

● **Vrindavan TechVillage (Bangalore, India)**
India's only Platinum LEED business park, Vrindavan comprises more than nine million square feet of development on 106 acres, including infotech-specific office space, hotels, serviced apartments, residential and retail facilities. Assetz, a Bangalore-based development service company, teamed up with St. Louis-based architects HOK International on this project, which includes an open-air amphitheater and ample green space. LEED (Leadership in Energy and Environmental Design) is an internationally recognized green-building certification system developed by the U.S. Green Building Council (USGBC), a Washington-based nonprofit organization that promotes sustainable construction. To qualify for Platinum certification, Vrindavan completely eliminated the use of fresh water for landscaping, and 95% of common space is day-lit.

Various environmental consulting and certifying organizations are being established across Asia, for purposes similar to that of the USGBC. These include the Taiwan Green Building Council, the Hong Kong-based Building Environmental Assessment Method (BEAM) Society, and Singapore's BCA Green Mark Scheme.

However, much remains to be done. "Emissions are a huge risk factor in Asia," says Lucy Carmody, executive director of Responsible Research, a Singapore-based research company. "Responsible companies are analyzing their carbon footprints and trying to gain better understanding of the future financial risk from having to internalize the cost of the emissions generated by their building stock," she adds.

"Water is the single most crucial element for responsible investors to look at in 2010, as water resources become scarcer and more polluted. Most real estate companies do not measure their water usage or set targets for improvements. There needs to be better reporting on water use and abuse in Asia," she says.


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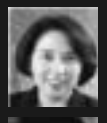
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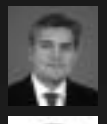
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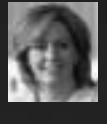
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# Borrowing from rivals — and outfoxing them

## Chinese companies succeed by taking an existing technology and then tweaking it for a local audience

By Loretta Chao

*Beijing*

**Baidu** Inc., owner of the most popular Web site in China, isn't known for ground-breaking innovation. From the Google-esque look of Baidu.com's main page to its Wikipedia-like encyclopedia to a question-and-answer service that's similar to Yahoo Answers, the Chinese Internet search company has long been tarred by critics as unoriginal.

But Baidu also is an example of how many Chinese technology companies manage to outfox foreign competitors by tailoring existing technologies to China's growing and fast-changing market.

While that may not earn them respect as global innovators, their understanding of the Chinese consumer has allowed many of them to beat bigger foreign rivals at their own game in China, home to the world's largest number of Internet users.

Baidu dominates China's Internet search market, holding a 61% share of industry revenue in the second quarter, compared with 29% for **Google** Inc., its biggest Internet-search competitor.

While that is partly the result of regulatory issues and loose enforcement of copyright protections in China that have enabled Baidu to provide access to unlicensed music downloads through its site, it also is the result of subtle but effective distinctions on its pages and of popular tools like Baidu Post Bar, an online message board that lets users create discussion topics.

For a long time, the search bar on Baidu's main page was longer and wider than Google's, says Liu Ning, a Beijing analyst with research firm BDA China Ltd. "This makes a difference for Chinese users, because Chinese characters are much more complex than English letters, and it helps to be able to see them more clearly," says Mr. Liu.

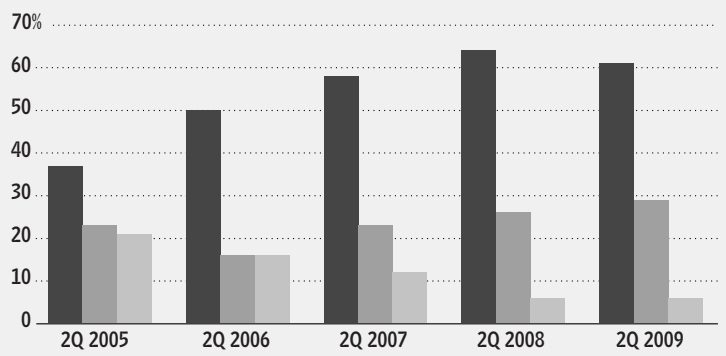
Post Bar, meanwhile, represented an early recognition by Baidu that many Chinese Internet users are drawn to online forums. Unlike some similar online forums where moderators predetermine the categories for discussion, Post Bar lets users easily create their own categories as hot topics develop and find related posts through keyword searches. This function is popular in China.

Bloomberg News

Baidu.com's main page, below, has a Google-esque look, but subtle distinctions between the services have boosted the Chinese firm. Web users in Beijing, above.

### A clear leader

Shares of search-market revenue in China




Source: Analysys International

## A Chinese feel

Baidu isn't the only company that has benefited by taking existing technologies or ideas and giving them a Chinese feel.

**Tencent Holdings** Ltd., based in Shenzhen, popularized instant messaging in China by pairing the service with online games and blog hosting—heavily used applications in China—and by rewarding users for high usage with points that could be exchanged for prizes. Now, the Hong Kong-listed company has robust online game and music platforms, a massive social-networking site and a bigger market value than **Yahoo** Inc.—about $35 billion versus $25 billion.

**Alibaba Group**'s e-commerce site Taobao.com, meanwhile, uses a model that appears similar to eBay Inc.'s online-auction model. It added an instant-messaging service that allows buyers and sellers to haggle over prices, similar to the way business is conducted offline in China. Taobao is now the primary destination for online shopping in China, with almost $12 billion in transactions in the first half of this year. EBay shut its own Web site in China and replaced it with one majority-owned by local player TOM Online Inc., a unit of Hong Kong-based **TOM Group** Ltd., but still has only a tiny fraction of the market.

Baidu and these other companies have taken advantage of the fact that foreign firms often struggle to adapt their businesses for the Chinese market.

Kai-Fu Lee, the executive who ran Google's operations in China from the time the company entered the market in 2005 until he resigned in September, says the firm's challenges included simply coming up with a name that Chinese people could pronounce. "Google" is a poor fit for Chinese tongues, and the Chinese characters Google chose for its name, which are pronounced "goo guh," also got a poor reception.

In 2007, Google created a shortened version of its Web address for Chinese users that is easier to remember, in any language: G.cn.

Baidu, founded in 2000 by Chinese-born Silicon Valley veteran Robin Li, portrays itself as the true Chinese choice in Internet search. Baidu says on its Web site that its name—whose characters mean "hundred" and "degree"—was inspired by an 800-year-old Chinese poem because it "wants the world to remember its heritage" and that "Baidu focuses on what it knows best—Chinese-language search."

Some of Baidu's products, however, look remarkably similar to those invented by others. Its question-and-answer service, Baidu Knows, allows users to post questions about anything that can be answered by anyone. And just like Yahoo Answers, users can vote for the responses they think are most useful. One popular recent question on the Baidu site was: "What is the most expensive food in the world?" The most popular answer: "the gold foil used to decorate chocolates and other foods."

## Two million articles

Baidu Encyclopedia, meanwhile, has been accused by Wikipedia users and the nonprofit Wikimedia Foundation, which runs the Wikipedia site, of having some entries that appear to copy Wikipedia entries word-for-word, without credit. Still, Baidu Encyclopedia now has close to two million articles, compared with the less than 300,000 on Chinese Wikipedia.

Baidu has benefited from the fact that censors periodically block content from the Wikipedia site, which isn't licensed in China. Baidu has had few problems with censorship because it restricts content that might draw fire from the government, such as information related to Tibetan independence. While Google does the same—a decision that drew international criticism—its content has often been blocked by censors, and users redirected to a page containing a Baidu search box.

## 'Just a feeling'

Then there is Baidu's MP3 music-search service, which lets users search for songs and download or stream them directly through Baidu's Web site. While this is an innovation of sorts—analysts say Baidu was among the first sites to provide such a service—it is one that has generated criticism as well as user traffic, with the recording industry saying Baidu facilitates piracy by providing links to unlicensed versions of songs.

Baidu says it isn't doing anything wrong. "Baidu is dedicated to protecting intellectual property and will continue to act in compliance with relevant laws and regulations," a spokesman says.

Google this year began offering a music-search service that links users to licensed tracks. A spokeswoman says it is one of the "many unique and innovative products" Google has initiated for Chinese users. Google, she adds, will continue to seek ways to "provide a better user experience."

Even if Baidu's features aren't always original, some Chinese users say they don't care.

"Google may have stronger innovations than Baidu, but some of their functions are not necessary for me," says Zhou Chanjun, general manager of a lighting company in Beijing. "I can't say why we think Baidu is more Chinese. It's just a feeling."

MARKETING

# Macau casinos gamble on more than gaming

*Visitors are slow to respond as resorts introduce family-entertainment fare, including circus shows*

By Jonathan Cheng

Agence France-Presse

Las Vegas Sands has cut the number of weekly Cirque du Soleil shows in Macau. Above, Cirque's 'Zaia' production during a 2008 preview performance.

MACAU—Casino operators here in the world's most vibrant gambling market are trying to learn how to win at a new game: family entertainment.

It's a gamble. At recent shows by the Canadian circus troupe Cirque du Soleil in the Venetian Macao, a smattering of attendees filled only a small fraction of the available seats, according to visitors. A spokesman for the Venetian Macao says attendance at the show's 1,800-seat theater has averaged 65% of capacity this year, including discounted tickets—a figure that the resort's management calls "unacceptable."

**Las Vegas Sands** Corp., which runs the Venetian, has cut the number of weekly Cirque shows and is seeking alternative uses for the space. Company Chairman Sheldon Adelson said this week that the show would be replaced if performance doesn't improve there.

A representative for Cirque du Soleil didn't immediately comment.

The problem is that visitors to Macau have so far shown little interest in anything beyond baccarat tables. At least 80% of all of Las Vegas Sands's revenue in Macau comes from gambling, according to the company. By contrast, only about 35% of the company's visitor revenue in Las Vegas comes from gambling, thanks to long-time efforts aimed at diversifying revenue streams. That complicates strategy in Macau as several casino operators launch major expansion plans.

On Wednesday, Lawrence Ho, son of Macau's leading casino operator, Stanley Ho, is stepping into the fray with a $250 million circus production at his City of Dreams casino-resort. In that production by Franco Dragone, who created Céline Dion's Las Vegas shows, aquatic acrobats will act out a love story in a purpose-built 2,000-seat theater with a water tank larger than five Olympic-size swimming pools.

The effort to diversify Macau's offerings comes at a time when nearby Singapore is preparing to open two major resorts early next year that play down casino space in favor of a **Universal Studios** Inc. theme park, among other things.

Singapore's government made it clear from the outset that gambling would be but one of a large palette of diversified family options, and the operators have embraced the concept. Las Vegas Sands, for instance, will feature a general-admission "SkyPark" that overlooks Singapore's main harbor, while Malaysian casino operator **Genting** Bhd., which is opening the Universal Studios park, says its casino accounts for only about 5% of the overall resort's space.

Casino operators hope family attractions will help extend the average amount of time visitors spend on a trip from the current 1.4 days to something closer to Las Vegas's average of nearly four days. Macau's government, meanwhile, is concerned about social issues arising from Macau's single-minded reliance on gambling—so much so that it is now considering capping the number of gambling tables in the city, signaling a preference for more sustainable, if less lucrative, future growth.

"Our main policy is that economic growth has to be diversified, and anytime there is a conflict, then the gambling industry has to be regulated," Francis Tam, Macau's top gambling official, said last month.

Diversification has been part of the Las Vegas Sands pitch since the company arrived in Macau five years ago. It poured US$150 million into its showpiece Cirque du Soleil production, called "Zaia," and has staged well-received shows by Hong Kong pop stars and global marquee acts such as Beyoncé and Linkin Park. Last month, it hosted a sold-out tennis match between Pete Sampras and Andre Agassi.

"Entertainment is a part of what we do," says Steve Jacobs, the company's Macau president. "It's an important driver to our other businesses." The company says that the shows complement the exhibitions that the Venetian is trying to attract.

Las Vegas Sands says it is still weighing several entertainment options at an even bigger megaproject across the road from the Venetian Macao, saying that it wants to make sure it has "the right offering."

Las Vegas's own transition took many years, says Frank Fahrenkopf, the president and chief executive of the American Gaming Association. As recently as the early 1990s, about 60% of revenue on the Las Vegas Strip was from the gambling business.

Others, though, say Cirque du Soleil's difficulties at the Venetian Macao reflect a fundamental misreading of the Chinese market. Longtime gambling tycoon Stanley Ho, who ran Macau's 40-year gambling monopoly and still owns 20 of Macau's 33 casinos, has maintained his dominance over Macau in part by sticking to a pure gambling-focused strategy.

Similarly, Hong Kong-based **Galaxy Entertainment Group** Ltd., which is preparing to open its massive casino-resort adjacent to the Venetian Macao, isn't planning any attempt at a Cirque-like show—at least for the time being.

"This is not what people come to Macau for," says Francis Lui, vice chairman of Galaxy. Instead, Mr. Lui is planning more modest offerings, such as an "old Shanghai"-themed nightclub, and a Southeast Asian-styled white sand beach and wave pool that sits atop the casino—entertainment options that he says cater better to Asian interests.

Mr. Lui concedes that it may be too early to tell if Macau's market can embrace Las Vegas-style shows, noting that Macau still lacks critical mass. But he says that selling a Cirque-like show to a Chinese audience that has grown up with Beijing acrobatics wasn't going to be easy.

"You can't simply import these shows that appeal to Western audiences and expect them to impress an Asian audience," Mr. Lui says.

# Copenhagen's Collapse

'Now is the time to confront this challenge once and for all," President-elect Obama said of global warming last November. "Delay is no longer an option." It turns out that delay really is an option—the only one that has world-wide support.

Over the weekend Mr. Obama bowed to reality and admitted that little of substance will come of the climate-change summit in Copenhagen next month. For the last year the President has been promising a binding international carbon-regulation treaty a la the Kyoto Protocol, but instead negotiators from 192 countries now hope to reach a preliminary agreement that they'll sign such a treaty when they meet in Mexico City in 2010. No doubt.

The environmental lobby is blaming Copenhagen's pre-emptive collapse on the Senate's failure to ram through a cap-and-trade scheme like the House did in June, arguing that "the world" won't make commitments until the U.S. does. But there will always be one excuse or another, given that developing countries like China and India will never be masochistic enough to subject their economies to the West's climate neuroses. Meanwhile, Europe has proved with Kyoto that the only emissions quotas it will accept are those that don't actually have to be met.

*Barack Obama*

President George W. Bush, for all the obloquy heaped on him for walking away from Kyoto, tried to shift the climate-change debate toward policies that were realistic and achievable, in particular by insisting that benefits had to justify any brakes on economic growth. This strategy resulted in far too much taxpayer waste, including the green-pork subsidies that Mr. Obama loves and has ramped up. Yet it also prevented Mr. Bush from making grandiose if futile promises with no relationship to political reality.

Of course, the pointlessness of Copenhagen will now become part of Mr. Obama's argument that the Senate must inflict cap and tax on the U.S., as well as a justification for the EPA's nondemocratic carbon crackdown via clean-air regulation. If he and we are lucky, however, the Senate will fail to act too, the EPA will get tied up in court, and the economy will recover faster without the looming burden of higher energy taxes.

# Paying Games with Shareholders

As ideas for limiting executive compensation go, Australia might not be the worst offender. But a proposal currently under discussion still offers a good example to everyone else of the unintended consequences governments risk stirring up when they start meddling in pay.

**The unintended consequences of Australia's populist move to limit executive pay.**

The government's Productivity Commission is currently reviewing public comments on its idea for a "two-strikes" rule on shareholder votes over pay. Compensation plans would be subject to a vote at the annual meeting. If 25% of voting shares opposed the package, the board would have to either revise it or do a better job explaining it to shareholders before the next annual meeting. If shareholders still voted against it a second time—by an as yet undetermined margin—the whole board would be unseated and a board election would be triggered.

This kind of "democracy" might sound appealing, but a lot of devils lurk in the details. For a start, the proposal would hand undue influence to a minority of shareholders. If the threshold in the second vote were set as low as 25%, as some advocates propose, fully 75% of a company's owners could be entirely satisfied with the board's compensation judgment and the majority would still have to undergo the instability and expense of a new board election.

There also are fears such a measure could turn compensation votes into a battleground for other issues. If, say, a company happened to receive a hostile takeover bid after the board had already suffered its first "no" vote on pay, the second compensation poll would be an opportunity for the bidder and minority shareholders to unseat an unfriendly board more easily than would ordinarily be the case.

In other ways the measure could actually mute negative shareholder feedback. Currently nonbinding votes on remuneration offer owners an opportunity to voice their opinions and they frequently do. But if they know such a vote could pave the way to a future disruptive board ouster, they might be less willing to vote against a package the first time.

Whatever the Commission decides to propose on this issue when it releases its final report in December, the two-strikes suggestion usefully demonstrates how hard it is to regulate compensation without stepping into multiple booby traps. For regulators around the world who failed to catch *big* problems like massive property bubbles and overleveraged banks, a little humility is in order on executive pay.

# A Merry TARP Christmas

The Journal reports that the White House may abstain from some payouts under the Troubled Asset Relief Program (TARP) as a way to reduce the deficit. That would be good. But after bequeathing to the children of America the largest deficit since World War II, with plans to generate more than $9 trillion in new debt, Team Obama should go all the way and put TARP out of the taxpayer's misery.

All Treasury Secretary Timothy Geithner has to do is avoid signing a TARP renewal by its statutory expiration date on December 31. Judging by the reader comments on our Web site, we'd guess that millions would happily leave out cookies and milk for the jolly Washingtonian who shows up with a sack full of nothing for auto makers.

**Returning $200 billion to the Treasury isn't just good economics—it's good politics, too.**

Alas, the signals remain mixed. Despite the news about TARP repayments, Treasury continues to make TARP "investments" and as of last week had spent $472.5 billion with plans to spend more than $560 billion of the total $700 billion available under the law. This leak about partial TARP repayment could be an attempt to reduce any outrage if Mr. Geithner does decide to renew TARP for another nine months. On the other hand, a decision not to renew TARP would immediately return more than $200 billion to the Treasury.

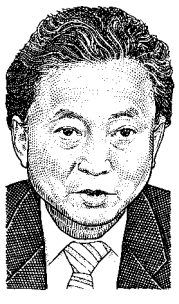
Deciding not to renew the program would be the gift that keeps on giving, because it would prevent any money returned in the future from being recycled into other politically favored subsidies. End it, Mr. Geithner, don't spend it.

# The Real Tokyo Bow

President Obama's recent bow to the Japanese emperor has set U.S. talk show hosts aflutter. That's a shame, because the real news out of the weekend summit is the new Japanese government's attempt to put more distance between itself and its main ally.

Start with Japan's participation in the U.S.-led effort in Afghanistan. In a press conference Friday, Prime Minister Yukio Hatoyama confirmed Japan would halt its eight-year-old naval refueling mission, but instead provide $5 billion of "civil assistance." President Obama called the money a "powerful commitment," noting Tokyo's additional recent $1 billion gift to Pakistan.

This development isn't something to be cheered. Japan's retrenchment will deprive its self-defense forces of key operational experience. And the return to checkbook diplomacy is an admission that the Democratic Party of Japan-led government doesn't have the will to take on more security responsibilities to assist its main ally when and where it really counts.



*Yukio Hatoyama*

The two sides also failed to resolve a disagreement on a series of U.S. troop relocations in Okinawa. President Obama announced Friday the creation of "high-level working group" to discuss "implementation," but no firm deadline was set to resolve the issue. The stall was a political victory for Mr. Hatoyama, who has made the renegotiation of the already-signed agreement part of his pledge to "rebalance" the U.S.-Japan alliance.

Mr. Hatoyama underlined his foreign-policy instincts Sunday in a speech in Singapore, when he spoke first of Asian regional integration, and second of the importance of the U.S.-Japan alliance, which he described as the "linchpin" of Japanese foreign policy. That may be true, but Mr. Obama's bow to Tokyo's new direction still isn't encouraging.

**Comments?**The Journal welcomes readers' responses to all articles and editorials. It is important to include your full name, address and telephone number. Please send letters to the editor to: **Letters@WSJ.com**

# Letters To The Editor

* * *

## U.S. Defends Freedom of Expression

Freedom of expression is a fundamental human right. But as with all rights, it comes with responsibilities. The Obama administration seeks broader international acceptance of both rights and responsibilities.

Your editorial "Hillary Versus State on Free Speech" (Nov. 5) misses this point. Promoting responsible speech is not the same as banning free speech.

In recent years, we have seen numerous attempts to encroach on free speech around the world in the name of protecting religions from disparagement—including at the U.N. The U.S. opposes measures to place legal limits on free speech.

Our resolution on freedom of expression that was passed in September at the United Nations Human Rights Council was a breakthrough precisely because it offers a vehicle for promoting responsibility without implementing legal limits on free speech. The resolution recognizes freedom of expression as one of the "essential foundations of democracy" and urges all nations to respect that right. It also calls for effective remedies for people, including journalists, who are persecuted for exercising free speech.

The resolution stresses the importance of discouraging racial and religious intolerance through means consistent with international human rights obligations and not through laws infringing on free speech. The resolution avoids problematic yet prevalent formulations including "defamation of religions" and "blasphemy." It was adopted by consensus, and attracted 48 co-sponsors from every region of the world.

We are proud of our work to defend freedom of expression and proud of this resolution.

**P.J. Crowley**
*Assistant Secretary of State for Public Affairs*
*Washington*

Hillary Clinton's defense of free speech is indeed good news. The bad news is that danger still lurks here in Geneva.

Last month's session of the U.N.'s "Committee on Complementary Standards" became only the latest salvo in the pan-U.N. Islamic campaign to alter international human-rights law by criminalizing "defamation of religion" as a form of racism.

Heading the committee is Algeria's Idriss Jazairy. At an April 22, 2008 U.N. meeting on racism, he declared that "Antisemitism targets Arabs, who are also Semites, and by extension, the whole Muslim community." Mr. Jazairy's committee brings its battle to the Human Rights Council in March 2010. His draft protocol, circulated unofficially, would conflate existing post-war prohibitions on racism with the Islamist agenda of silencing religious dissent.

A full measure of the perils must account not only for intimidation of Western writers and cartoonists, but the growing international legitimization of medieval antiblasphemy laws—in countries like Pakistan, Egypt and Saudi Arabia—that stand to crush any hopes of religious tolerance and liberalization.

**Hillel C. Neuer**
*Executive Director*
*U.N. Watch*
*Geneva*

* * *

## India Stands Up to China on Tibet

Your editorial "Dalai Lama Lesson" (Oct. 29) points out the differences in approaches in dealing with the Chinese Dragon's bellicosity by India and the U.S., but fails to mention that China is the U.S.'s largest creditor. The Indian administration has no such constraints.

India has not budged on its principled stand regarding hospitality for the Dalai Lama and Tibetan refugees over the past five decades even as China has grown in military and financial clout. One wonders how the U.S. would have reacted to Chinese pressures if the Dalai Lama would have been a refugee here. Realpolitik and commercial pressures might have prevailed over moral principle.

The bitter experience of the 1962 India-China war has led to a wary "better safe than sorry" approach while dealing with China, and the shared belief among most Indian politicians about the need to call a bully's bluff every time a threat is made.

Regardless of the party in power in Washington, China knows that in the case of a face off it will be the U.S. that will blink first. Think of President George W. Bush and the spy plane fiasco or President Obama and the Dalai Lama's visit.

**Deepak Seth**
*Rochester, N.Y.*

## CORRECTION

Norway is not a member of the European Union. A Nov. 12 op-ed, "When Will the EU Get Serious About China?" included Norway in a list of EU member states.

THE WALL STREET JOURNAL. ASIA

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## Pepper . . . and Salt

THE WALL STREET JOURNAL

**"That management retreat was a mistake. None of our staff wants to come back."**

# Two Ground Zeroes

[ Global View ]

By Bret Stephens

I have long thought it would be a good idea to bring 9/11 mastermind Khalid Sheikh Mohammed and his accomplices to lower Manhattan. In my concept, the men would be taken by helicopter to a height of about 1,000 feet over Ground Zero and pushed out the door, so that they, too, could experience what so many of their victims did in the awful final flickering seconds of their lives.

And since al Qaeda intended the attacks as a spectacle for the benefit of its would-be recruits, I'd give al Jazeera the exclusive TV rights.

This, however, is not Eric Holder's concept. In announcing his decision last week to send KSM and four other defendants to stand trial for their crimes in a federal courthouse just a few blocks from Ground Zero, the attorney general said the trial would offer the bereaved of 9/11 "the opportunity to see the alleged plotters of those attacks held accountable in court," adding that he was "confident" the legal system would "rise to that challenge."

We'll see about that.

There are a few ways to predict the course of the trials. One is to consult what al Qaeda itself advises its members to do in the event that they are brought before a judge. "At the beginning of the trial . . . the brothers must insist on proving that torture was inflicted on them by state security before the judge," goes a line in what is known as the Manchester Document, a 180-page al Qaeda how-to obtained by British police in 2000.

This is, of course, a prescription for lying, though it shouldn't be a tough sell with the jury given that KSM was in fact waterboarded by the CIA some 183 times. If anything, it provides a perfect opening for him to turn the tables on his accusers and put the U.S. government on trial, while embellishing any which way

Associated Press

Ground Zero: the last thing Khalid Sheikh Mohammed should see.

he pleases. No small number of potential New York City jurors would find KSM a more credible witness than any number of Bush administration officials—think Alberto Gonzales or Dick Cheney—who might be called to the stand.

A second way to predict how the trials might go is to look back at the trial of al Qaeda's Zacarias Moussaoui, often described as the "20th hijacker." Moussaoui's case has been cited by defenders of Mr. Holder's decision as an example of how civilian courts have succeeded in dealing with some of the most hardened terrorists.

Really? Moussaoui was arrested in August 2001, and indicted that December. It would take until May 2006 before a jury would sentence him to life in prison, a single juror having spared him a death sentence. Assuming a similar time frame for the KSM trials, that means we can expect verdicts in 2015. That's a long time to keep lower Manhattan in a perpetual state of red alert.

Yet the Moussaoui trial wasn't merely interminable. It was also incompetent. Moussaoui did everything he could to turn it into a circus, at various times entering contradictory pleas on the view, as he put it, that "you're allowed to lie for jihad." Lawyers for the government were repeatedly accused of malfeasance, leading Judge Leonie Brinkema to observe at one point that "I have never seen such an egregious violation of a rule on witnesses." The judge herself came close to dismissing the entire case, even as the Fourth Circuit had to step in to reverse one of her rulings.

And this was a comparatively clean case, unlike, say, those of El Sayyid Nosair, acquitted in 1991 of the murder of Jewish fanatic Meir Kahane; or of Omar Abdel Rahman, the blind sheikh at whose trial for the 1993 World Trade Center bombing critical intelligence information was disclosed that gave Osama bin Laden clues as to what the U.S. knew about his network.

The third way to consider the trials is to look at Ground Zero itself. After eight years of deliberation, planning, money and effort, what have we got? The picture nearby is the answer.

Let me be more precise. After eight years in which the views and interests of, *inter alia*, the Port Authority, NYPD, MTA and EPA, the several governors of New York and New Jersey, lease-holder Larry Silverstein, various star architects, the insurance companies, contractors, unions and lawyers, the families of the bereaved, their self-appointed spokespersons, the residents of lower Manhattan and, yes, even the fish of the Hudson river have all been duly consulted and considered, this is what we've got: a site of mourning turned into a symbol of defiance turned into a metaphor of American incompetence—of things not going forward. It is, in short, the story of our decade.

Barack Obama, energetic and smart, was elected largely to change all that. But the thrust of his presidency so far has been in the direction of bloated government, deficits and health-care bills; paralysis over Afghanistan and Iran; the convulsions over Gitmo and the CIA torture memos. And now this: An effort to demonstrate the purity of our methods and motives that is destined, as all these things have been, to wind up as the legal equivalent of Ground Zero. Khalid Sheikh Mohammed, for whom no real justice will ever be meted, understood his targets well.

*Write to bstephens@wsj.com*

# Recipe Ruminations

[ Bookshelf ]

**Eating: A Memoir**
**By Jason Epstein**
(Knopf, 174 pages, $25)

By Aram Bakshian Jr.

Jason Epstein is a distinguished literary editor who pioneered the quality paperback market in America and who served for years as editorial director at Random House. He has also been, apparently, an Olympian diner.

In "Eating," a tantalizingly slim volume, he treats us to a cornucopia of memories—some personal, some literary, all tied to food—and as many interesting recipes as ruminations. An entire chapter on the delights of the North American lobster includes six treatments of the king of crustaceans. All are excellent, though my favorite is the simple but savory Lobster Fra Diavolo—a mainstay of old-fashioned Italian restaurants—which Mr. Epstein once threw together for a casual meal in Provincetown with his friend Norman Mailer. Opulent memories of culinary Paris in the 1950s, when the dollar was king and the butter-infused spirit of Escoffier still reigned, are balanced with up-to-date descriptions of the thriving Chinese markets in lower Manhattan, where everything from fresh pea sprouts to live frogs and turtles can be found at bargain prices.

But as practical and savory as "Eating" may be, Mr. Epstein also writes with an eye for his literary audience. "Strip away the trimmings," he says toward the end of the book, "and you will find that all living things, from dainty amoeba to lumbering elephant . . . share a common structure: an alimentary system supporting a reproductive apparatus. Why this of all possible arrangements should be our fate is anybody's guess," but the obvious result is a voracious primal appetite for food and sex, the twin human obsessions "haunting our dreams, stories, art, and music."

Readers may prefer what precedes such musings, like the section about Roy Cohn (of Joseph McCarthy infamy). It's a delight to learn that Cohn took so little pleasure from food—his favorite dish was tuna salad, a clear case of the banality of evil.

*Mr. Bakshian Jr. writes frequently on politics, history and food.*

OPINION

# China and the American Jobs Machine

By Robert B. Reich

President Barack Obama says he wants to "rebalance" the economic relationship between China and the U.S. as part of his plan to restart the American jobs machine. "We cannot go back," he said in September, "to an era where the Chinese . . . just are selling everything to us, we're taking out a bunch of credit-card debt or home equity loans, but we're not selling anything to them." He hopes that hundreds of millions of Chinese consumers will make up for the inability of American consumers to return to debt-binge spending.

This is wishful thinking. True, the Chinese market is huge and growing fast. By 2009, China was second only to the U.S. in computer sales, with a larger proportion of first-time buyers. It already had more cell-phone users. And excluding SUVs, last year Chinese consumers bought as many cars as Americans (as recently as 2006, Americans bought twice as many).

Even as the U.S. government was bailing out General Motors and Chrysler, the two firms' sales in China were soaring; GM's sales there are almost 50% higher this year than last. Proctor & Gamble is so well-established in China that many Chinese think its products (such as green-tea-flavored Crest toothpaste) are Chinese brands. If the Chinese economy continues to grow at or near its current rate and the benefits of that growth trickle down to 1.3 billion Chinese consumers, the country would become the largest shopping bazaar in the history of the world. They'll be driving over a billion cars and will be the world's biggest purchasers of household electronics, clothing, appliances and almost everything else produced on the planet.

But in fact China is heading in the opposite direction of "rebalancing." Its productive capacity keeps soaring, but Chinese consumers are taking home a shrinking proportion of the total economy. Last year, personal consumption in China amounted to only 35% of the Chinese economy; 10 years ago consumption was almost 50%. Capital investment, by contrast, rose to 44% from 35% over the decade.

China's capital spending is on the way to exceeding that of the U.S., but its consumer spending is barely a sixth as large. Chinese companies are plowing their rising profits back into more productive capacity—additional factories, more equipment, new technologies. China's massive $600 billion stimulus package has been directed at further enlarging China's productive capacity rather than consumption. So where will this productive capacity go if not to Chinese consumers? Net exports to other nations, especially the U.S. and Europe.

Many explanations have been offered for the parsimony of Chinese consumers. Social safety-nets are still inadequate, so Chinese families have to cover the costs of health care, education and retirement. Young Chinese men outnumber young Chinese women by a wide margin, so households with sons have to accumulate and save enough assets to compete in the marriage market. Chinese society is aging quickly because the government has kept a tight lid on population growth for three decades, with the result that households are supporting lots of elderly dependents.

But the larger explanation for Chinese frugality is that the nation is oriented to production, not consumption. China wants to become the world's pre-eminent producer nation. It also wants to take

David Gothard

the lead in the production of advanced technologies. The U.S. would like to retain the lead, but our economy is oriented to consumption rather than production.

Deep down inside the cerebral cortex of our national consciousness we assume that the basic purpose of an economy is to provide more opportunities to consume. We grudgingly support government efforts to rebuild our infrastructure. We want our companies to invest in new equipment and technologies but also want them to pay generous dividends. We approve of government investments in basic research and development, but mainly for the purpose of making the nation more secure through advanced military technologies. (We regard spillovers to the private sector as incidental.)

China's industrial and technological policy is unapologetically direct. It especially wants America's know-how, and the best way to capture knowhow is to get it firsthand. So China continues to condition many sales by U.S. and foreign companies on production in China—often in joint ventures with Chinese companies.

American firms are now helping China build a "smart" infrastructure, tackle pollution with clean technologies, develop a new generation of photovoltaics and wind turbines, find new applications for nanotechologies, and build commercial jets and jet engines. GM recently announced it was planning to make a new subcompact in China designed and developed primarily by the Pan-Asia Technical Automotive Center, a joint venture between GM and SAIC Motor in Shanghai. General Electric is producing wind turbine components in China. Earlier this month, Massachusetts-based Evergreen Solar announced it will be moving its solar panel production to China.

The Chinese government also wants to create more jobs in China, and it will continue to rely on exports. Each year, tens of millions of poor Chinese pour into large cities from the countryside in pursuit of better-paying work. If they don't find it, China risks riots and other upheaval. Massive disorder is one of the greatest risks facing China's governing elite. That elite would much rather create export jobs, even at the cost of subsidizing foreign buyers, than allow the yuan to rise and thereby risk job shortages at home.

To this extent, China's export policy is really a social policy, designed to maintain order. Despite the Obama administration's entreaties, China will continue to peg the yuan to the dollar—when the dollar drops, selling yuan in the foreign-exchange market and adding to its pile of foreign assets in order to maintain the yuan's fixed relation to the dollar. This is costly to China, of course, but for the purposes of industrial and social policy, China figures the cost is worth it.

* * *

Both America and China are capable of producing far more than their own consumers are capable of buying. In the U.S., the root of the problem is a growing share of total income going to the richest Americans, leaving the middle class with relatively less purchasing power unless they go deep into debt. Inequality is also widening in China, but the problem there is a declining share of the fruits of economic growth going to average Chinese and an increasing share going to capital investment.

Both societies are threatened by the disconnect between production and consumption. In China, the threat is civil unrest. In the U.S., it's a prolonged jobs and earnings recession that, when combined with widening inequality, could create political backlash.

*Mr. Reich, professor of public policy at the University of California, Berkeley and former secretary of labor under President Clinton, is the author of "Supercapitalism: The Transformation of Business, Democracy, and Everyday Life" (Alfred A. Knopf, 2007).*

# Free-Trade Greenshoots

By Chad P. Bown

For those who worry about a return of the Great Depression's high tariffs and trade wars, the last several months have been troubling. Figures from the World Bank's Global Antidumping Database released last month show that industry requests for trade barriers globally are up 30% this year to date compared to the same period last year. Yet along with this latest bad news come some trade-policy greenshoots that suggest the global economy may still stay on a pro-trade path.

The recent U.S. government decision against a request to impose new trade barriers on imports from Argentina of aluminum pistons used in diesel engines is one cause for optimism. In January, an Ohio-based piston plant filed a petition with the U.S. Commerce Department alleging that Argentina unfairly subsidizes production of the pistons and that these subsidies were hurting the company. Late last month, the U.S. International Trade Commission ruled that, while the firm may have hit hard times, its injury was not caused by subsidized imports.

This case is significant because during a recession on the current scale, it is easy for domestic industries to convincingly demonstrate the "injury" needed for trade remedies like antidumping, countervailing duties or safeguards under World Trade Organization rules. But WTO rules also require that this injury has to be caused by dumped, subsidized or surging imports and not by something else—like a run-up in energy prices, changing consumer preferences, company mismanagement or limited access to credit. If government officials carefully assess the link between imports and injury, then perhaps the wave of protectionism that many feared will not materialize after all.

**There are signs that governments are resisting the temptation to impose protectionist measures.**

Other data suggest governments may be saying "no" to protectionism more today than during earlier stages of the crisis. Between April and September this year, only 54% of completed trade-remedy investigations world-wide resulted in governments imposing new trade barriers, compared to almost 90% from July 2008 to March this year. While governments have imposed 21% more new import barriers to date in 2009 relative to the same period in 2008, these data suggest that things could have been worse. A trend toward more careful assessment of petitions is important because globally a backlog of more than 200 (and counting) of these trade cases still awaits rulings.

China's two recent decisions to use the WTO to formally question new trade barriers imposed on its exporters during the crisis present a second cause for optimism. China initiated the first case in July to confront new European antidumping tariffs on its exports of steel fasteners, and it started the second case in September in response to the U.S. tariffs on low-end Chinese tires. This is a positive development because the WTO is explicitly designed to give countries a venue in which to challenge protectionism short of imposing tit-for-tat retaliation. That is why the dispute resolution process has become so popular since the WTO was created in 1995: This month the WTO marked the initiation of its 400th dispute.

This use of the WTO does not constitute a trade war. Between 1995 and 2008, WTO member countries formally initiated disputes to challenge legally an average of 15 of these types of newly imposed barriers per year. During more normal trading times before the crisis, a country that resorted to WTO dispute settlement was not interpreted as instigating a trade war. It should not be perceived as doing so now.

Perhaps the only worrying aspect to the newly initiated WTO disputes is that there are *only* two of them. Turning these antiprotectionist greenshoots into a vibrant global recovery may require that exporters from the U.S., Europe, India and Brazil—all of which, like China, have faced new trade barriers that other countries' governments have imposed during the crisis—take the cue from Beijing and also convince their governments to use the WTO to protect their rights vis-à-vis foreign markets.

The staggering increase in industry requests for new trade barriers last year and this year does not need to result in the imposition of actual trade barriers going forward. The solution will be twofold: Governments around the world must weigh these requests for protection as judiciously as the U.S. did in the Argentine piston case, separating out the effects of unfair trade from the effects of the broader downturn. And all countries need to follow China's lead in finding productive ways, such as WTO litigation, to help pull down barriers.

*Mr. Bown, a senior economist and trade specialist in the World Bank's Development Economics Research Group, is the author of "Self-Enforcing Trade: Developing Countries and WTO Dispute Settlement" (Brookings Institution Press, 2009).*

ON OTHER FRONTS

# EU's small countries pack big punch

*Tony Blair may covet bloc's presidency but he's no Belgian haiku master; modest Van Rompuy is favorite for top job*

By John W. Miller
*Brussels*

WHEN it chooses its historic first permanent president this week, the European Union is expected to pass over former British Prime Minister Tony Blair and other heavy hitters in favor of a balding, bespectacled Belgian named Herman Van Rompuy.

The charismatic Mr. Blair walked the international stage long enough to wear grooves in it. Mr. Van Rompuy, Belgium's prime minister for the past 11 months, is a modest functionary known inside his country for writing haikus in his native Flemish. His lack of ostentation is reflected in his poem "Hair":

*Hair blows in the wind*
*After years there is still wind*
*Sadly no more hair.*

Mr. Van Rompuy is the clear favorite according to Ladbrokes and other oddsmakers to be chosen president by the leaders of the EU's 27 member nations Thursday. Though the vote could still hold surprises, Mr. Van Rompuy's likely ascendance speaks to the baroque nature of EU politics—where permanent presidents need not be permanent or presidential, and where the race tends to go not to the strong, but to the Belgians, Danes and Luxembourgers.

The permanent president's term is 2½ years. Responsibilities include running the EU's legislative branch and representing the bloc abroad, so the job favors candidates who can run meetings and speak in one voice for the EU's often-bickering heads of state. The bloc's other president—the leader of the European Commission, the EU's executive arm—enjoys more power and independence.

Mr. Rompuy is the right man, Belgian political scientist Tobias Van Assche argued in a paper published last week by the University of Antwerp. After all, the 62-year-old Belgian scored low in a measure of "self-confidence" and "will to power."

"That makes him the ideal EU leader," says Mr. Van Assche, who used character-assessment techniques similar to those employed by the Central Intelligence Agency. "He's a consensus-builder and somebody who will listen."

Mr. Van Rompuy declined to comment on his candidacy or qualifications. "He likes to keep a low profile," says spokesman Dirk De Backer.

Mr. Van Rompuy isn't the only politician from a small state giving Mr. Blair a run for his money. Dutch Prime Minister Jan Peter Balkenende, perhaps best known outside his native Netherlands for his resemblance to Harry Potter, is Ladbrokes's second favorite. Mr. Blair is third, followed by Jean-Claude Juncker, prime minister of Luxembourg.

The permanent president position, together with that of a foreign minister, was created by the just-ratified Lisbon Treaty, which is designed, among other things, to bolster the global clout of the bloc that represents 500 million Europeans.

The jobs may be new, but scuffles over how to fill them won't be, say diplomats.

When European nations formed a free-trade bloc a half-century ago, Germans and Frenchmen dominated. The group has expanded greatly but even now, votes cast by leaders of the EU's "Big Six"—Germany, Spain, France, Italy, Poland and the U.K., with more than 350 million Europeans between them—carry more weight than those cast by smaller members.

But past votes on EU Commission president and other top jobs show that Big Six leaders have often been unable to agree on candidates from their own countries—opening the door for consensus picks from smaller countries. These politicians don't create so many enemies, diplomats say, or cast limelight-loving national leaders into the shade. Often crafty intellectuals instead of populists, they master the EU's 80,000-page rule book. They also tend to stick up for each other: 21 small states can occasionally overwhelm the Big Six.

It's a "mixture of ability, suitability, blackballs [and] national horse-trading," says Christopher Tugendhat, a Briton who was once the No. 2 official in the commission. "Sometimes a suitable person does get it."

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Luxemburg Prime Minister Jean-Claude Juncker, top photo, and former British Prime Minister Tony Blair, above. The EU is expected to pass over heavy hitters when it chooses its first permanent president.


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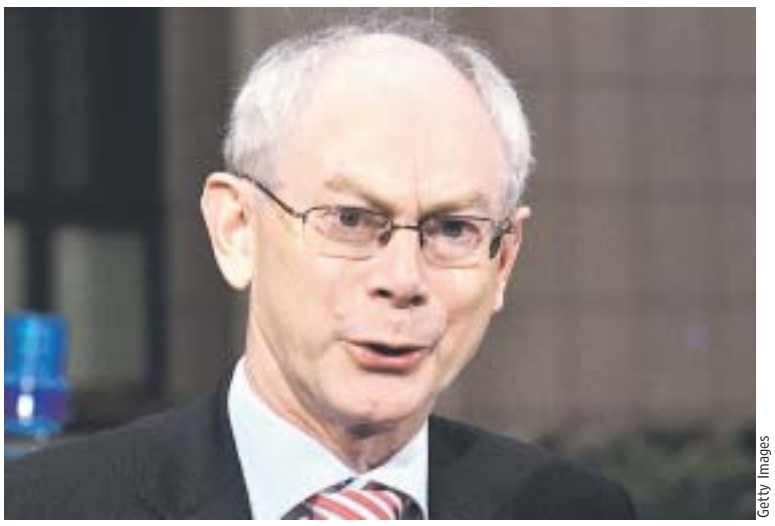

Getty Images

Belgian Prime Minister Herman Van Rompuy is the clear favorite, according to oddsmakers, to be chosen as president by leaders of the EU on Thursday.

Two Luxembourgers and one Belgian have already headed the European Commission. The current commission president, Jose Manuel Barroso, hails from Portugal—whose population of 10.7 million roughly equals Belgium's—and is soon to embark on a second five-year term.

Luxembourger Jacques Santer exemplifies how little guys can end up with the big prizes. When EU leaders started discussing in 1994 a successor for powerful French commission president Jacques Delors, "Nobody knew my name," Mr. Santer said in an interview.

Germany balked at the notion of another Frenchman but didn't present its own viable candidate. Other front-runners failed to gain broad support. Mr. Santer's name emerged during sidebar discussions at a Group of Seven summit in Naples as the only common ground between U.K. prime minister John Major, German chancellor Helmut Kohl, Italian premier Silvio Berlusconi and French president François Mitterrand.

Mr. Santer received a call from Mr. Kohl. "He said, 'We all support you—even John Major,'" Mr. Santer recalls. "I immediately called the Grand Duke [of Luxembourg] and offered my resignation as prime minister."

Added the Luxembourger: "We were founded in 1815 as a buffer state between France and Germany. So this is our destiny."

Mr. Blair's appeal seems less universal. Many Europeans from left-of-center parties, who would be expected to back him, distrust him for the way he took Britain to war in Iraq alongside former U.S. President George W. Bush. He is from Britain, which has stayed out of the European common currency and forces other Europeans to show their passports to enter the country.

Like some other potential candidates, Mr. Blair hasn't formally said he wants the job, and a spokesman said Monday: "We are not giving a running commentary on this." People close to Mr. Blair say he would be interested only if the role was seen as "presidential" rather than as a committee chairman.

Plus, for all the talk of Europe needing a flashy spokesman, the EU president will spend more time on farm policy than foreign policy. "From an American perspective, you think about the president as someone on the world stage," says Oly Nyborg, author of a book about Denmark's role in the EU. "But the truth is that the EU president's big job will be drafting the 2013-2020 EU budget."

The skills of politicians from smaller countries shouldn't be underestimated, analysts say. Luxembourg's Mr. Juncker has struck key compromises, brokering a 1996 deal between France and Germany that paved the way for the creation of the euro.

Mr. Van Rompuy is known as a master of procedural minutiae who can run committee meetings in several languages. But as Belgium's budget director in the 1990s, he also helped the massively indebted country meet the criteria for joining the euro.

After becoming Belgium's prime minister in December, Mr. Van Rompuy has repaired fissures with the country's French-speaking minority and managed a bureaucracy of six parliaments and more than 50 cabinet-level ministers.

"If you know how to run Belgium, you can deal with the EU," says Piotr Maciej Kaczynski, an analyst with the Brussels-based Center for European Policy Studies. "Belgians and Luxembourgers are always mentioned for top positions. Always. They have it in their blood."

Mr. Van Rompuy's particular knack was evident in the haiku he read at a recent news conference with the prime ministers of Spain and Hungary:

*Three waves together,*
*Rolling into the harbor—*
*The trio is here.*

*—Alistair MacDonald contributed to this article.*

Getty Images

Getty Images

Dutch Prime Minister Jan Peter Balkenende, top, and former Latvian President Vaira Vike-Freiberga, above, are among hopefuls for the coming job of EU president.

IN DEPTH

Zuma Press

Some investors say they were impressed by the proximity Scott Rothstein, left, had with Florida politicians, including Gov. Charlie Crist, right, which helped the attorney create an aura of success and influence.

# Lawyer's fall after fast rise

*Scott Rothstein allegedly operated a Ponzi scheme that the FBI says may be South Florida's largest-ever fraud*

By Nathan Koppel
And Mike Esterl
*Fort Lauderdale, Fla.*

NO ONE ever accused Florida attorney Scott Rothstein of being subtle—or of skimping.

At an Eagles concert this year, Don Henley, the band's drummer, singled out Mr. Rothstein and his wife, Kimberly. "I don't normally do this, but this goes out to Scott and Princess Kimmy on their one-year wedding anniversary," Mr. Henley told the audience as the band ripped into "Life in the Fast Lane," its paean to the perils of excess. Mr. Rothstein paid $100,000 to one of Mr. Henley's charities for the dedication.

The son of working-class parents from New York City, Mr. Rothstein made his fortune by building a prominent Fort Lauderdale firm in the early part of this decade. Along the way, he forged ties with Florida luminaries, including Gov. Charlie Crist and pro-football legend Dan Marino. He cruised around town in Lamborghinis, flew chartered private jets, and owned several mansions overlooking the canals that have earned Fort Lauderdale the moniker the Venice of America.

Last month, the lawyer's fast rise came to a crashing halt after investors alleged that he had sold them stakes in phony employment-dispute settlements. Since legal settlements often are paid out over time, it is not unusual for employees who need the money right away to sell their stakes at a discount in exchange for an up-front cash payment. But according to investors' allegations, Mr. Rothstein was selling stakes in settlements that didn't exist—yet promising lucrative annualized returns.

Associated Press

Among Scott Rothstein's assets seized by the FBI in relation to a Ponzi scheme he allegedly operated are two boats, shown above docked at one of his Fort Lauderdale homes.

The U.S. attorney's office in Miami was not far behind. In a civil suit filed Nov. 9, prosecutors allege that Mr. Rothstein's settlements venture was a Ponzi scheme. The Federal Bureau of Investigation says the alleged fraud could rank as South Florida's largest-ever Ponzi scheme, involving hundreds or even thousands of investors who likely had invested more than $1 billion.

Federal prosecutors haven't accused other lawyers at the firm, Rothstein Rosenfeldt Adler P.A., of wrongdoing, nor have they charged Mr. Rothstein with a crime. But the FBI has stated that criminal charges against him could be filed in weeks.

In a Nov. 1 email to The Wall Street Journal—sent after rumors surfaced in the business community that he had left the country but before the federal civil suit was filed—Mr. Rothstein stated that he had "nothing to hide at all." He said he would return to Fort Lauderdale to answer questions. He didn't respond to subsequent requests for comment, but in interviews with local media this week, Mr. Rothstein stated that he made "mistakes," and vowed to return all of his investors' money.

Mr. Rothstein's attorney, Marc Nurik, declined to discuss the fraud allegations against his client in detail. He said he doubts projections by federal authorities that Mr. Rothstein owes $1 billion to investors. "I would think it's less than half that amount," he says. His client, adds Mr. Nurik, "will do everything in his power to see that investors will be made whole."

Several investors and their lawyers say they performed due diligence on the investments, and trusted in Mr. Rothstein's reputation and that of his firm as a leader in employment-law matters. They say they believed their payouts were securely deposited in the bank.

William Scherer, a Fort Lauderdale attorney who represents more than a dozen investors who claim Mr. Rothstein defrauded them out of about $100 million, says Mr. Rothstein's promise of steep annualized returns in an investment that seemed low risk was too enticing for his clients to pass up. "Was it too good to be true?" Mr. Scherer says. "Yes, of course, in the glare of hindsight."

# IN DEPTH

In a year marred by spectacular financial scandals, Mr. Rothstein could end up joining a list that includes Bernard Madoff, Marc Dreier and Danny Pang of one-time high fliers whose promises of riches were a sham.

The Rothstein story is also a quintessential tale of the Sunshine State, where wealthy retirees and other well-heeled investors have been known to chase outsize returns while ignoring myriad warning signs. Charles Ponzi himself set up shop in the state in the 1920s to commit his namesake fraud.

Not long ago, Mr. Rothstein, now 47 years old, was a relatively inconspicuous trial attorney who focused on employment disputes such as sexual harassment. He lived with his first wife, also a lawyer, in a modest home in Plantation, Fla., far from the waterfront mansions he would later purchase.

Attorneys who worked with and against Mr. Rothstein describe him as exceedingly driven. They say he often wore his humble roots on his sleeve, regaling colleagues with stories about his upbringing in the New York City borough of the Bronx, where his father, he said, was a condom salesman.

The attorney once recounted that he had started saving his allowances and investing in the stock market at the age of 14, says Christopher Sharp, an attorney in Plantation who worked at the firm until he was terminated in 2007. Mr. Rothstein "was always a go-getter," says Mr. Sharp, who remained on good relations with the firm after he left, according to a partner who also worked at the firm.

After graduating from Nova Southeastern University law school in Fort Lauderdale in 1988, Mr. Rothstein developed into a first-rate trial lawyer, later teaching trial advocacy at his alma matter, attorneys say. A respected member of the bar, he had a clean disciplinary and criminal record, according to court records and attorneys in the community. He was known for charming juries with a manufactured southern drawl, heavy on "y'alls," attorneys say. "People would ask him if he was from the South," says an attorney who worked at the Rothstein law firm. "His comeback was always: 'Yes, the South Bronx.'"

The attorney's ambitions began to take flight after he started his own law firm in 2002, joined by a handful of other lawyers who specialized in employment disputes. Mr. Rothstein soon expanded beyond the firm's employment-law roots, hiring lawyers in an array of specialties, including corporate and tax law. By 2005, with about 25 lawyers on staff, the firm had outgrown its original offices and moved into pricey new digs in a white skyscraper on Fort Lauderdale's Las Olas Boulevard.

As the firm grew to more than 70 lawyers, Mr. Rothstein interacted with his colleagues less and less. In the morning, one firm lawyer says, Mr. Rothstein would bound into the office, announcing, "Morning, kids!" before retreating to his office, which was separated from the rest of the firm by a glass door, equipped with an intercom and buzzer. He also had a private elevator behind an unmarked wooden door that led to a locked section of the garage known among employees as the "cage." He would often entertain clients in his private "smoking lounge" on the 20th floor.

A 2006 Ferrari Spider convertible was among Scott Rothstein's assets seized by the FBI. Mr. Rothstein's affinity for driving expensive cars was well-known.

Outside the firm, however, Mr. Rothstein was hard to miss. His sartorial choices, for starters, drew attention: alligator shoes; hand-painted ties, including one that resembled a pepperoni pizza, and dyed-orange Ostrich-skinned boots, colleagues say.

Ronald Cacciatore, who used to work for Mr. Rothstein as a private investigator, says he bumped into the attorney this year wearing a dark suit "with bright gold pinstripes as thick as my pinkie." The attorney, he says, was flocked by a driver and security guards. "He grabbed me and kissed me on both cheeks," Mr. Cacciatore says.

The stocky, 5-foot-6-inch lawyer was routinely spotted at Fort Lauderdale haunts such as Ultimate Cigars, where he smoked $40 Padron Aniversario Nicaraguan cigars, according to the shop's owner. He would pull up in anything from a Bentley to a Rolls Royce to a blue Bugatti Veyron, which retails for more than $1.5 million.

Colleagues say they alternately recoiled from and reveled in Mr. Rothstein's exploits. The attorney was often the life of the party, picking up the tab for elaborate bashes, and playing piano and singing for his guests, according to partygoers. At one party, Mr. Rothstein set up a 20-foot long ice bar at his house, with a giant ice sculpture of the law firm's "RRA" slogan, embedded with purple lighting, says Mr. Sharp, the former attorney at the firm.

Yet within the firm, some were skeptical about the source of Mr. Rothstein's lavish spending. The firm was sometimes late in reimbursing expense checks, according to Mr. Sharp and another attorney at the Rothstein firm. And in recent years, they say, the firm started issuing paychecks later in the day on Friday, after banks had closed, leading some employees to believe the firm was holding onto its money an additional day.

On one occasion in December 2006, firm employees learned that money was missing from their retirement accounts, according to Mr. Sharp. A group of them confronted Mr. Rothstein, according to Mr. Sharp and another former firm lawyer. Mr. Rothstein denied taking any retirement funds, saying to employees, "How dare anyone accuse me of stealing from my family," Mr. Sharp, who was at the meeting, recalls. The retirement accounts were squared days later, Mr. Sharp said.

In late October of this year, Stuart Rosenfeldt, one of the firm's co-owners, says he began fielding complaints from people saying they had failed to receive payments from their investments in settlements. Mr. Rosenfeldt says until then, he had no idea his partner had sold stakes in settlements.

Mr. Rosenfeldt says he searched for answers, but couldn't find Mr. Rothstein, who had left the office one day during the last week in October, saying he needed to attend to a family emergency. Instead, Mr. Rothstein had flown out on a private plane in Fort Lauderdale headed for Morocco, according to an FBI report.

Mr. Rosenfeldt says his first clue about his colleague's whereabouts came when he discovered that Mr. Rothstein previously had asked lawyers in the firm to investigate which countries refused to extradite criminal suspects to either the U.S. or Israel. Their response: Morocco.

While overseas, Mr. Rosenfeldt says, Mr. Rothstein sent some lawyers at the firm a text message in which he described himself as "a fool" and said he was sorry for any harm he had done to his colleagues.

Mr. Rothstein flew to Morocco to "clear his head," according to his lawyer, Mr. Nurik. "He returned to fix the problem."

The problem concerned a business he had operated outside the firm since 2005. Mr. Rothstein sold investors a stake in settlements he said his firm had negotiated on behalf of workers who had asserted whistleblower and sexual-harassment complaints, according to an offering document reviewed by The Wall Street Journal. Mr. Rothstein said the settlements were highly lucrative because "defendants place a high premium on keeping the details of the cases confidential ... to protect the image of the company and executives involved," according to the document.

For example, in September 2009, one potential investor was told he could pay Mr. Rothstein $375,000 in upfront cash to purchase a settlement valued at $450,000, which would be doled out to the investor over a three-month period, according to the government's civil suit. That investment, prosecutors allege, added up to an 80% annualized return.

Plaintiffs, in fact, do sometimes sell their rights to future settlement payments in exchange for upfront cash payments, attorneys say. But such deals are usually brokered by a third party, say lawyers, and Mr. Rothstein was handling the deals himself. At any rate, the settlements never existed, alleges the U.S. attorney's office in Miami in its civil suit.

It was Mr. Rothstein's proximity to Florida politicians that helped the attorney create an aura of success and influence, says Roger Stone, a Florida political adviser who started a political consulting business with Mr. Rothstein in 2005. Mr. Stone says his business partner was viewed as particularly tight with Gov. Crist. "That impressed people in Fort Lauderdale."

Mr. Rothstein has attended campaign events for Mr. Crist and dined with him on occasion, according to Mr. Stone. Since 2007, Mr. Rothstein has personally contributed more than $200,000 to the Republican Party of Florida.

In his office, Mr. Rothstein had numerous photos of himself posing with Mr. Crist, including one in which the governor wrote, "Scott—you're amazing!" and another taken at the governor's birthday party. Mr. Rothstein's wall of fame also included photos with George W. Bush, John McCain and Arnold Schwarzenegger, among other politicians.

Mr. Crist didn't return requests for comment.

Mr. Rothstein's donations to high-profile philanthropies, including charities connected to Mr. Marino, the former football star, also helped him forge a reputation as a community leader.

Mr. Marino's charitable foundation declined to comment. The Republican Party of Florida has said it will give to charity some of Mr. Rothstein's contributions.

Some investors in Mr. Rothstein's settlements venture took comfort in the fact that the attorney was connected to successful people. "Everywhere you turned, you saw Rothstein," says Daniel Serber, a Miami attorney who represents one group of investors who claim Mr. Rothstein defrauded them out of several million dollars.

At a recent Miami Dolphins game, he says, one client reported being impressed by a Rothstein firm advertisement on the stadium's giant screen. "It discussed all the great things the law firm had done for the community," Mr. Serber says. "That helped convince him that the investment was legitimate and backed by a credible firm."

Earlier this week, prosecutors asked a federal court to force Mr. Rothstein to forfeit millions of dollars of assets he allegedly purchased with "criminally derived proceeds," including more than $12 million in homes in Fort Lauderdale.

The FBI has fanned out across Fort Lauderdale in recent days, seizing evidence and assets. On Wednesday, Nov. 4, federal agents arrived at the Rothstein firm at about 7:45 p.m. The agents worked for more than seven hours, until early the next morning, assembling 44 boxes of evidence, according to the FBI.

In their arms they held settlement agreements, limousine records, jewelry appraisals and keys to a Ferrari.

Associated Press (2)

Mr. Rothstein's office, where authorities conducted an all-night search, assembling 44 boxes of evidence.

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**Online today**
See photos of Mr. Rothstein's Fort Lauderdale properties at **WSJ.com/US**

FROM PAGE ONE

# Obama, Hu secure outline for cooperation

*Continued from first page*

White House aides say. That led to a joint statement outlining a long list of areas of cooperation—one of the most ambitious efforts the countries have made to catalog their interests. They ranged from general areas of mutual concern, such as helping the global economic recovery and solving climate change, to concrete plans such as expanding civilian air traffic, boosting joint research in public health and increasing fivefold the number of U.S. students studying in China.

China also explicitly welcomed the U.S. role in the Asia-Pacific region, potentially addressing U.S. fears that China wants America out of the region.

But the two leaders issued the statement in an awkward fashion—at a press "availability" where they took no questions, didn't address each other and exhibited body language that seemed to say they had been frustrated by the entire exercise.

"It is paradoxical," said Richard Baum, professor of Chinese politics at the University of California, Los Angeles. "The press conference confirmed every low expectation we had for the meeting, but when I saw the statement, I said, wait a minute, are we talking about the same event? It is the most extensive document in 20 years, maybe ever."

This bifurcated view was reflected in how U.S. officials themselves described the trip. Jeffrey Bader, the National Security Council's senior director of East Asian policy, said the trip was a success but characterized it as merely "an important first step."

U.S. ambassador to China Jon Huntsman defended the visit's shortcomings, especially China's failure to widely publicize or broadcast the U.S. president's town-hall meeting with students in Shanghai, touted before the trip as the marquee event. "In a country with 350 million Internet users and 70 million bloggers, growing exponentially, the words spoken by the president will resonate," he said.

White House spokesman Robert Gibbs said the president and his aides hadn't expected "the waters would part and everything would change over the course of our almost 2½ days in China," adding, "We understand we have a lot of work to do."

At a joint appearance Tuesday, Mr. Obama and Chinese President Hu Jintao both used soaring rhetoric to describe the importance of the relationship between an established and a rising power.

Associated Press

Barack Obama tours the Forbidden City Tuesday; the U.S. president was wrapping up a visit to China with mixed results.

"We meet at a time when the relationship between the United States and China has never been more important to our collective future," Mr. Obama said during the event, broadcast live on Chinese state television. "The major challenges of the 21st century ... touch both our nations."

Mr. Hu seemed to concur, saying that "the two sides reached broad, important agreement" on key points. Both countries agreed to work harder for a global economic recovery, to contain Iran's nuclear ambitions and for a successful outcome at next month's climate-change talks in Copenhagen. They also pledged to continue numerous working-level bodies and to improve military-to-military ties.

But both acknowledged differences and seemed intensely uncomfortable when the other mentioned them. Mr. Obama spoke of the "fundamental human rights" that should be accorded to ethnic and religious minorities, mentioning Tibet before pressing for "dialogue" between Beijing and representatives of the Dalai Lama, the Tibetan spiritual leader regarded as a separatist by Beijing.

In closed-door sessions, Mr. Obama pressed the Chinese president on a range of human-rights issues, from the treatment of ethnic minorities to the "firewall" that restricts Chinese access to the Internet, Mr. Bader said, boasting that he had never heard such blunt talk in his decades of diplomatic work in the region.

Mr. Hu, talking while Mr. Obama looked down at the lectern, said he "stressed to President Obama that under the current circumstances, our two countries need to oppose and reject protectionism in all its manifestations in an even stronger stand," a reference to what China sees as hostile gestures on trade, such as tariffs slapped on Chinese tires and steel pipes.

Mr. Obama put strong emphasis on Iran's nuclear program, declaring—which Mr. Hu did not—that "on this point, our two nations ... are unified." He said that if Iran doesn't prove that its nuclear program is peaceful, "there will be consequences."

Mr. Bader acknowledged the Iranian issue is a significantly lower priority to China than is North Korea, and that Mr. Hu made it clear he would like to see the standoff resolved before Washington seeks tougher sanctions at the U.N. Security Council.

Mr. Obama also expressed pleasure at China's longstanding pledge to move toward a more market-based exchange rate over time, something Mr. Hu didn't mention. "I emphasized in our discussions and with others in the region that doing so based on economic fundamentals would make an essential contribution to the global economic [situation]," the U.S. president said.

Chinese officials defended their treatment of the U.S. president's town-hall meeting in Shanghai, which had been billed as Mr. Obama's chance to talk casually with China's youth but ended up a heavily scripted affair. The audience was carefully chosen by the departments of the city's state-run universities and given "training" before attending.

"As for whether the Chinese government controlled the list of participants, there is no such issue," Vice Foreign Minister He Yafei told reporters Tuesday. "The Chinese side had the responsibility to ensure the security of President Obama and had to check the backgrounds of all participants. I believe this is a common practice in all countries."

*—Aaron Back contributed to this article.*

# China grapples with pressure on currency control

*Continued from first page*

economic management may find it politically difficult to yield to demands on the currency.

On the other hand, China's economy has recovered faster than most. Its de facto peg to a falling U.S. dollar—meaning the yuan has weakened sharply against other currencies—is generating complaints from European and Asian competitors that China has an unfair advantage. And some economists worry the extra juice to the economy from the cheap yuan, in addition to huge government stimulus, risk new bubbles in real estate and stocks.

"You have to balance your needs in the short term with the long term," Mr. Strauss-Kahn said. Keeping the currency down may help exports in the short term, he argued, but it imposes other costs. For instance, an undervalued currency encourages companies to invest in ways that may not be viable once the currency rises. "If you have wrong prices, you make wrong decisions, especially concerning investment in the long run," he said.

"It's now time for China, having accumulated a lot of advantages from an undervalued currency, to look more forward to investment and to long-term stability," Mr. Strauss-Kahn added. A stronger currency also would boost the purchasing power of Chinese households, he said, which would support the government's drive to make economic growth less dependent on exports.

Chinese officials frequently counter that big swings in the exchange rate can harm companies and disrupt the economy, which is a particular concern at a time when confidence is fragile. They sometimes contrast the stability of the yuan's exchange rate—which makes it easier for firms to plan ahead—with the wild swings in the dollar's value.

"China keeping a basically stable exchange-rate policy is, in reality, good for the global economic recovery," Yao Jian, spokesman for China's Ministry of Commerce, told reporters Monday. "If the request is to strengthen other currencies, while allowing the dollar to keep weakening, that's not very fair."

Chinese officials aren't totally closed to arguments for a stronger yuan. In a statement many interpreted as a gesture to the growing concerns about the currency, the People's Bank of China last week said exchange-rate policy would take into account "changes in international capital flows and the trends of major currencies."

Still, many private analysts don't think a move on the yuan is imminent. Authorities may feel freer to shift once exports are growing again and inflation has turned positive—changes that could come early next year. In coming months, China will have to tell other members of the Group of 20 economies how it plans to boost consumer spending.

Although China's government publicly has grown more confident about the strength of its recovery, growth still remains heavily dependent on government stimulus programs. "China needs the U.S. economy to recover strongly and renew its import growth. Otherwise, China will have a tough time sustaining its recovery," said Eswar Prasad, an economist at Cornell University.

That is one of the key reasons China is reluctant to lift its currency now. World Bank chief economist Justin Yifu Lin, a former Chinese government adviser, has argued that if a stronger yuan snuffs out a recovery in China's export sector, it could weaken China's entire economy and have negative consequences for global growth.

**Buffett nearly doubles his investment in Wal-Mart**
MARKETS 31

**Reality and expectations for the yuan clash**
HEARD ON THE STREET 40

BUSINESS & FINANCE.

Wednesday, November 18, 2009 THE WALL STREET JOURNAL. asia.WSJ.com

# Volume of share offers explodes in Japan

*Investors grow skeptical on whether companies have viable plans for tens of billions they look to raise*

By Ayai Tomisawa

*Tokyo*

An explosion of public share offerings in Japan over the past year is raising questions among some investors about whether Japanese companies have viable plans for the tens of billions of dollars they look to raise.

A person familiar with the matter said over the weekend that **Mitsubishi UFJ Financial Group** Inc. is considering raising up to one trillion yen ($11.2 billion) in common shares to bolster its core capital ratios, a move that may be announced along with its first-half earnings on Wednesday. That would be the biggest offering in Japan since **Nippon Telegraph & Telephone** Corp.'s 1.2 trillion yen offering in 2000, according to data provider Dealogic.

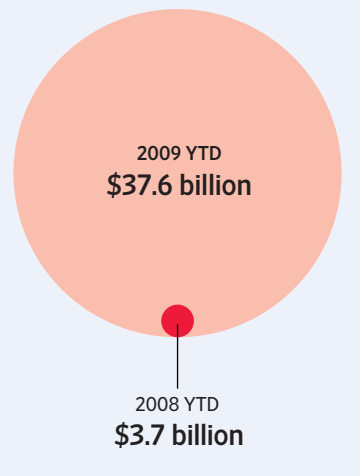
**Hitachi** Ltd. said Monday it plans to raise 416 billion yen through a share offering. Previously, **Mazda Motor** Corp. said it plans to raise 96 billion yen. Information-technology giant **NEC** Corp. and shipper **Nippon Yusen** K.K. have also announced plans for new share issues before the end of the year.

According to Dealogic, share issuance by Japanese companies through Tuesday was $37.6 billion, more than 10 times the $3.7 billion raised a year earlier.

"Equity financing by companies is building towards a peak," said Seiichiro Iwasawa, chief strategist at Nomura Securities. Mr. Iwasawa said the trend came about because of ballooning corporate borrowing during the financial crisis last year, and companies haven't yet been able to repay their debts. "Until their free-cash flows turn around, they are likely to rely on equity financing."

Reuters

A massive share issuance is in the works for Mitsubishi UFJ Financial Group.


Ballooning
Japan's public companies are selling more shares through new deals. Value of new share issues in Japan:
2009 YTD
$37.6 billion
2008 YTD
$3.7 billion
Source: Dealogic

Banks such as MUFG are raising capital to meet what they expect will be tougher international capital requirements by governments in the aftermath of the financial crisis. Meanwhile, industrial companies are looking to strengthen their balance sheets following the global economic slowdown and to invest in plants and equipment.

They are also taking advantage of the global rebound in equities. Japan's Nikkei Stock Average of 225 companies was up more than 14% over the first nine months of the year. But the Nikkei average has fallen about 4% since the end of September as investors have become more pessimistic and questions have risen about Japan's long-term economic issues.

Some market watchers warn that, as well as the threat of diluting the holdings of existing shareholders, these companies have yet to convince investors that they have workable strategies to restore long-term profitability, and that the global economic pickup that has resulted in better earnings could yet fizzle.

Hitachi shares tumbled 8.5% Monday—and 2.6% Tuesday—after it announced its plan to issue new shares, a drop that observers said isn't solely due to dilution concerns. "Investor sentiment is dented because they are not convinced about [Hitachi's] growth strategy," said Fujio Ando, a strategist at Chibagin Asset Management. Hitachi is scheduled to set the price for its new offering between Dec. 7 and Dec. 10. Mr. Ando wouldn't say whether his firm owns shares.

Hitachi said the share offering would help it build up its infrastructure business, speed up its restructuring efforts and pay back debt.

While Japan's economy is showing signs of recovery, with real gross domestic product rising 1.2% in the July-September period from the previous quarter, many remain concerned about the country's economic outlook.

Kiichi Murashima, an economist at Citigroup Global Markets Japan, projects that consolidated recurring profits for nonfinancial companies listed on what is known as the Tokyo Stock Exchange's First Section will likely post a year-to-year decline of 15% for the fiscal year ending in March. In the last fiscal year, recurring profits tumbled 63% from the previous year. "We expect economic activity to pause temporarily in the fourth quarter and the first quarter of 2010," he said

Skepticism was also evident in the response to Mazda's issue. The auto maker set the price for its offering at 213 yen in mid-October. On Tuesday, seven days after the shares were issued, the stock closed at 195 yen, down 8.5% from the offer price.

"The financing was meant to strengthen its capital, not just to boost earnings in the short-term," said Naoki Fujiwara, a fund manager at Shinkin Asset Management, which owns Mazda shares. "It will take time to see whether the deal bears fruit."

# Reliance Industries plans to step up exploration

By Eric Yep and Raghavendra Upadhyaya

MUMBAI—**Reliance Industries** Ltd., India's largest company by market value, on Tuesday said it has aggressive plans for oil and gas exploration over the next three years as it seeks to further entrench its position in the energy business.

The company has begun initial field-development work on nine additional gas discoveries in the Krishna Godavari basin, off India's east coast, Reliance Chairman Mukesh Ambani said at an annual shareholder meeting.

Reliance is the operator of the D6 block in the KG basin, India's most prolific gas find so far, which is expected to double the country's gas output at its peak output of 80 million standard cubic meters a day.

"We have planned an aggressive exploration campaign aimed at diversifying our search for new accumulations over the next three years," Mr. Ambani said. "We plan to drill in a majority of our blocks. We also propose to accelerate our campaign in the Krishna Godavari basin. "All these efforts augur well for Reliance's growth and profitability," Mr. Ambani said.

Reliance operates a 660,000-barrel-a-day refinery in Jamnagar in Gujarat. It began operations in December at a second refinery in the same complex that can process 580,000 barrels a day,and the company on Nov. 10 said it made its first oil discovery in the Cambay basin, Gujarat.

Mr. Ambani said Reliance's gas production has crossed six million cubic meters in the KG-D6 project, and the field is slated to reach peak production by the second half of 2010. He said the company's current activities have covered only three of the 19 discoveries in KG-D6 block.

Reliance will continue to accrue oil and gas properties overseas to add to existing assets in Oman, Yemen, Colombia, East Timor and Peru, Mr. Ambani said.

A person familiar with the matter last week said Reliance is exploring what would be its biggest-ever international acquisition at more than $1 billion. The company is doing due diligence on four overseas companies for a possible acquisition, said the person. Reliance has a current cash balance of 194.21 billion rupees ($4.22 billion), and its net debt is now at less than 21 months cash flow, Mr. Ambani said.

The company has taken several steps—including early completion of refining and oil and gas projects—to offset the impact of the global economic slowdown, he said.

Reliance also has focused on prioritizing expenditures and controlling working capital, he said. The company spent 247.13 billion rupees on capital expenditures in the financial year ended March 31.

A new petrochemical complex is planned at Jamnagar in Gujarat with an annual capacity of two million tons of olefins, which are used in the manufacture of basic chemicals and plastics, Mr. Ambani said.

Reliance, which can produce 2.5 million tons a year of polyester, will also expand its presence in the synthetic-rubbers market, he said.

The company is also working to develop its renewable-energy businesses, Mr. Ambani said.

Associated Press

Mukesh Ambani on a 2007 TV show.

An Antwerp, Belgium, diamond cutter inspected his work last month.

# Caught between a rock and a hard place

*Diamond miners agree to boost output to ease pain on firms that cut and polish*

By John W. Miller

ANTWERP, Belgium— he world's top diamond miners plan to slowly increase output to tamp down prices of the rough gemstones. The cautious move aims to appease customers who have been squeezed by flat retail prices.

The delicate choreography comes even as the top four diamond producers fret that demographic and other changes threaten to permanently sap demand for the gems and create a long-term crisis for the diamond industry.

Prices for rough, uncut rocks have risen more than 40% since February. Meanwhile, retail sales are falling, to $65 billion this year from $74 billion in 2008, RBC said.

"A lot of companies are going to be out" of business because of higher rough prices, said Eyal Atzmon, whose Antwerp-based company **El-Ran** polishes and trades diamonds.

As the financial crisis crushed the luxury-goods market, **De Beers Group**, **Rio Tinto**, **BHP Billiton** and **Alrosa** Co. slashed production this year. The four diamond miners control 90% of global production and influence prices through a Byzantine yet legal system of closed sales, secret long-term contracts and a few auctions.

De Beers, for example, slashed output by more than 90% in the first quarter.

And Alrosa sold all its production to the Russian state in the first half, rather then sell rough diamonds to its regular customers who cut and polish the stones for sale to consumers.

Global diamond-mine production is forecast to fall to $8 billion this year from $13.1 billion last year, according to Toronto-based RBC Capital Markets.

With manufacturers and polishers complaining of vanishing profit margins, the big four miners pledged Monday to ease their pain.

"We had to avoid a large-scale and catastrophic collapse of our industry," Sergey Oulin, vice president of Alrosa, said Monday at an industry conference in this port city, the center of the world diamond trade.

While the miners are loath to see prices for uncut diamonds drop too sharply, they are also worried that they could put some customers out of business if prices stay high.

"There is a consensus that rough prices have gone too high," said Des Kilalea, an RBC analyst. "But what everybody craves in this business is stability."

The miners plan to increase production gradually to avoid destabilizing the market. Alrosa holds more than $1 billion of diamonds, but won't sell it all at once, Mr. Oulin said.

Production "all depends on what demand will look like in the future," said Tim Dabson, a De Beers executive director.

Any increase poses risks for the miners.

Short-term retail demand was hit by the global recession. But even as economic growth resumes, the industry faces longer-term challenges, particularly in the U.S., which accounts for 40% of retail sales.

"We know people over 55 treasure diamonds...but that's not so clear for the iPod generation," Mr. Dabson said.

"We need to tap into that market." Other risks include the tendency of consumers in the growing economies of India and China to favor less-expensive gems than what sell elsewhere.

The industry also is contending with what Mr. Dabson called "ethical consumerism," the linking of diamonds to war, corruption and environmental degradation. The industry participates in the Kimberley Process, an effort to ensure that diamonds traded internationally aren't used to finance rebel groups.

The industry needs protection for "when we're hit by a crisis like the 'Blood Diamond' movie," said BHP Billiton marketing director Chris Ryder, referring to the 2006 film with Leonardo Di Caprio about diamond mining in war-torn Sierre Leone.

# TCL, Shenzhen in joint venture to build LCDs

SHANGHAI—**TCL** Corp., China's biggest television manufacturer by output, said it has formed a joint venture with the Shenzhen government to build an advanced thin-film transistor liquid-crystal display production line, which will require an investment of 24.5 billion yuan ($3.6 billion).

Demand for liquid crystal displays—used in devices ranging from computers to cellphones to TVs—is picking up in China partly because of a government stimulus program that allows subsidies for purchases of consumer electronics.

The news Tuesday comes a few weeks after foreign rivals disclosed plans to build advanced liquid-crystal display facilities in China, including **LG Display** Co.'s $4 billion joint venture in Guangzhou, **Samsung Electronics** Co.'s $2.3 billion panel plant in Suzhou, and **Sharp** Corp.'s plant in Nanjing.

Despite growing domestic demand for liquid-crystal displays, China remains a minor liquid-crystal display producer, with an estimated 4% share of the global market in 2009, according to market-research firm DisplaySearch.

TCL said it will form a 50-50 joint venture with Shenzhen Shenchao Technology Investment Ltd., a company run by the local government, to develop the project.

The two companies will each invest five billion yuan in the joint venture as registered capital, TCL said in a statement.

The company added it will finance its investment by selling 1.5 billion new shares in a private placement.

The remaining 14.5 billion yuan will be raised via bank loans and other methods, TCL said.

The company didn't elaborate.

Construction of the TFT-LCD panel project is scheduled to begin in January.

Production is expected to begin in the third quarter of 2011.

*—Rose Yu contributed to this article.*

## INDEX TO BUSINESSES AND PEOPLE

### Businesses

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### Corrections & Amplifications

**General Motors Co. reported** a $1.15 billion loss for its latest quarter. A Business & Finance headline in some editions Tuesday incorrectly said the loss was $1.5 billion.

**Canon Inc. plans to offer** €730 million ($1.09 billion) to acquire Dutch printer maker **Océ** NV. A Business & Finance headline in some editions Tuesday incorrectly gave the dollar figure as $1.9 billion.

**General Electric** Co. Chief Executive and Chairman Jeff Immelt was in Abu Dhabi this month during the weekend of the city's inaugural Formula One Grand Prix. A GE spokesman said he was there for business and didn't attend the race. A page one article Tuesday incorrectly said he was in town for the race.

# Paul Allen undergoes chemo

*Microsoft co-founder battles non-Hodgkin's lymphoma*

By Nick Wingfield

SEATTLE—Paul Allen, the billionaire investor who co-founded **Microsoft** Corp., was diagnosed earlier this month with non-Hodgkin's lymphoma and is undergoing chemotherapy.

Mr. Allen, 56, whose assets include U.S. cable-television provider **Charter Communications**, professional sports teams and holdings in technology start-ups, left Microsoft more than 25 years ago after being diagnosed with Hodgkin's disease, from which he recovered.

In an email sent Monday afternoon to employees of **Vulcan** Inc., Mr. Allen's Seattle-based investment firm, Vulcan CEO Jody Allen said Mr. Allen's doctors say he has diffuse large B-cell lymphoma.

Ms. Allen, Mr. Allen's sister, said in the email that the diagnosis is "tough news for Paul and the family" but that her brother is "optimistic he can beat" the disease as he did his previous illness.

"Paul is feeling OK and remains upbeat," she said in the email. "He continues to work and he has no plans to change his role at Vulcan. His health comes first, though, and we'll be sure that nothing intrudes on that."

Bill Gates, the Microsoft chairman who co-founded Microsoft with Mr. Allen, said in a statement that he and his wife Melinda Gates "have Paul and his family in our thoughts and prayers."

"Paul is among my closest friends, and I know him to be a strong and resilient individual," Mr. Gates said.

Messrs. Allen and Gates, fellow computer programmers and childhood friends from Seattle, started Microsoft in 1975. While Mr. Gates guided Microsoft to become the world's largest software company, Mr. Allen's tenure at the company was cut short when he left as Microsoft's chief technology officer after being diagnosed with Hodgkin's disease in 1983.

Lymphoma is a cancer of the white blood cells and diffuse large B-cell lymphoma is a fast-growing form of the disease, according to the Lymphoma Research Foundation. Diffuse large B-cell lymphoma is the most common of the non-Hodgkin's lymphomas, accounting for up to 30% of newly diagnosed cases, the foundation says. Non-Hodgkin's lymphoma has a five-year survival rate of 67%, according to the National Cancer Institute.

Associated Press

Paul Allen, who left Microsoft in 1983, is among the richest people in the world.

After his departure from Microsoft, Mr. Allen saw his stake in the company mushroom into one of the largest fortunes in the world. Forbes magazine ranked him this year as the 32nd wealthiest person, with a net worth of $10.5 billion. Mr. Gates, with a net worth of $40 billion, was number one on the list.

While Mr. Gates devoted himself to Microsoft for most of his professional career, Mr. Allen used his money to pursue a range of interests. He purchased the Seattle Seahawks NFL team and the Portland Trailblazers NBA team, for example.

A guitar enthusiast and collector of science-fiction memorabilia, Mr. Allen founded adjoining rock-and-roll and science-fiction museums in Seattle. He collects vintage aircraft and owns one of the largest yachts in the world.

Many of Mr. Allen's business investments haven't fared well over the years. One of his largest holdings, Charter, has filed for Chapter 11 bankruptcy protection, and key assets of another company, cable hardware provider **Digeo** Inc. were sold at a loss earlier this year.

Like Mr. Gates, Mr. Allen in recent years has stepped up philanthropic activity. In 2003, he gave $100 million to create the a nonprofit medical research organization, the Allen Institute for Brain Science, which has sought to advance neuroscience by mapping gene expression in the mouse brain.

# Intel to raise dividend in sign of tech confidence

By Don Clark And Jerry A. DiColo

**Intel** Corp.'s board approved a 12.5% dividend increase, the latest sign that technology companies are growing more hopeful about the economic recovery.

The increase puts the chip giant's quarterly dividend at 15.75 cents a share and marks the first dividend change since the second quarter of 2008. Intel, which began issuing dividends in 1992, has boosted its payout 14 times since then.

Technology companies have been among the first to experience a rebound in business, in part because they sell heavily to countries in Asia that have emerged more quickly from the recession. Intel has been reporting stronger-than-expected results lately; its cash and investments stood at $12.9 billion at the end of September, up from $11.3 billion at the end of June.

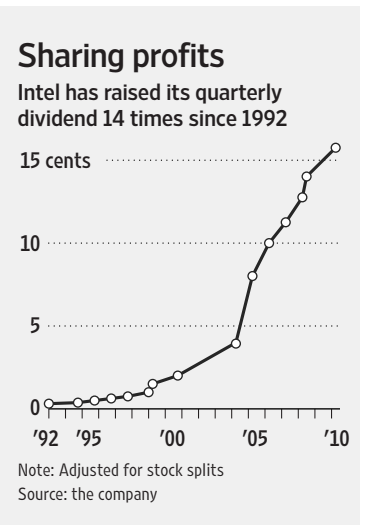
"The dividend increase is another sign of our confidence in business prospects going forward," said Paul Otellini, Intel's chief executive officer, in prepared remarks.

One cause for uncertainty was removed last week when Intel and rival **Advanced Micro Devices** Inc. announced a settlement of a high-stakes antitrust case set to go to trial in March. Intel agreed to pay AMD $1.25 billion and to adopt limits on some sales practices.

Intel is "encouraged with AMD behind them," said Timothy Luke, an analyst at Barclays Capital. "Their business trends now remain solid, and they are generating cash."

Intel shares rose 41 cents, or 2.1%, to $20.23 in 4 p.m. composite trading on the Nasdaq Stock Market. The stock has risen about 50% over the past 52 weeks.

The company is the 11th listed in the Standard & Poors 500-stock index to announce a dividend so far in November, said Howard Silverblatt, a senior index analyst with S&P. But he added that the recession continues to have lingering effects on payouts, which he estimates are about $53 billion lower in aggregate for S&P 500 companies this year. "It's going to take years to bring that back up," he said.




Despite Intel's short-term optimism, the company and Newsweek magazine Monday released the results of a survey that showed only one-third of Americans see the country retaining technological leadership over the next 30 years.

Some 63% of Chinese respondents predicted their country would overtake America in technology innovation during that period.Justin Rattner, Intel's chief technology officer, said the survey showed that Americans feel technology is important to the economy but the results point to needed changes by industry and government in managing research-and-development investments and boosting educational achievement in the U.S.

# Sina sees signs of ad market recovery

By Jay Miller

**Sina** Corp.'s third-quarter profit fell 11%, compared with year-earlier results boosted by the Beijing Olympics, but the Internet company said it sees signs of a stronger recovery.

Sina, which owns the largest Internet portal in China, in September scrapped plans to buy the outdoor advertising assets of Chinese digital-media company **Focus Media Holding** Ltd. The deal proved to be a distraction at a time the company was already grappling with a weaker advertising market.

However, the long-term prospects remain bright as more advertisers chase China's burgeoning Internet-user base.

For the latest quarter, the company reported a profit of $16.7 million, or 29 cents a share, compared with $18.9 million, or 31 cents a share, a year earlier. Excluding stock-compensation, acquisition-related costs and other items, earnings rose to 34 cents a share from 29 cents. Analysts were expecting 31 cents, according to a poll by Thomson Reuters.

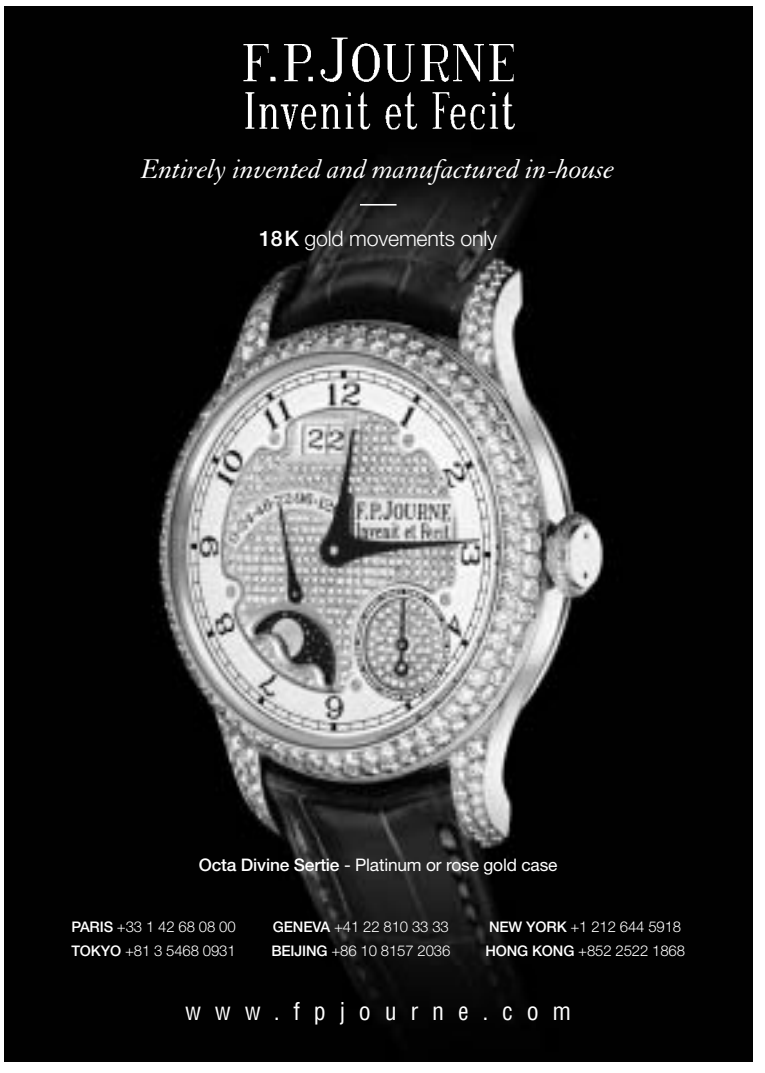
**Advertising revenue fell 16% from a year earlier, when the Beijing Olympics boosted the figure.**

Revenue dropped 8.6% to $96.4 million. In August, Sina predicted revenue of $91 million to $94 million, below Wall Street expectations at the time.

"Total revenues for the third quarter of 2009 exceeded our guidance, as we saw double-digit sequential growth in our online advertising business in China, on top of a 35% sequential growth last quarter. We are seeing signs of a strong recovery in the advertising market in China in the second half of this year, and we expect this momentum to continue with continuing recovery of the Chinese economy," said Chief Executive Charles Chao.

Advertising revenue declined 16% to $63.8 million from a year ago, when the Beijing Olympics boosted the figure, while nonadvertising revenue climbed 12% to $32.6 million.

Sina expects fourth-quarter total revenue of $93 million to $96 million, below the $99 million expected by Wall Street. Of the total, Sina sees $61 million to $63 million coming from advertising and $32 million to $33 million from nonadvertising sources.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CORPORATE NEWS

# The new black at Saks: a surprise profit

*Cost containment helps luxury retailer's quarterly results, but sales remain weak*

By Andria Cheng And Joan E. Solsman

**Saks** Inc. reported a surprise quarterly profit as cost containment boosted the luxury retailer's margins, despite weak sales.

Chairman and Chief Executive Stephen Sadove said the department-store chain believes business has become more stable and predictable in the past six months to a year, but that "the overall environment remains challenging."

Saks, he added, remains "cautious about the environment" and is "planning accordingly." He said 2010 capital spending will range from $40 million to $45 million and include no new Saks Fifth Avenue stores or major renovations. Spending for the current year will be about $65 million, itself half prior-year levels.

The company also cut its same-store-sales forecast for the year to a mid-teens decline on a percentage basis, compared with its August projection of a low-double-digit drop. The fourth-quarter outlook is for a high-single-digit decline.

Sales of luxury brands have dropped amid a broad slide in consumer spending. Heading into the holiday season, retailers are butting up against an employment rate that now tops 10%, damping consumer confidence. Saks, which has been cutting prices, in recent months also has tested online "private event" sales of discounted designer goods—open only to those who received emails from Saks directing them to the site.

Reuters

Saks said sales at its New York flagship store were in line with overall results.

For the third quarter ended Oct. 31, Saks posted a profit of $1.9 million, or 1 cent a share, reversing a year-earlier loss of $43.7 million, or 32 cents a share. The prior year included a 10-cent-a-share loss from discontinued operations.

Net sales fell 8.5% to $631.4 million. Two weeks ago, the company reported same-store sales for the quarter fell 10%.

Analysts polled by Thomson Reuters expected Saks to show a loss of 11 cents a share and revenue of $624 million.

Gross margin rose to 40.3% from 35.7% as Saks held back on promotions and markdowns while inventory fell 22% on a per-store basis.

The company said Saks Fifth Avenue stores showed "continued weakness," but categories such as women's designer sportswear, outerwear and jewelry saw a pickup toward the quarter's end. The sales decline at its New York City flagship store was more in line with the overall drop, a "meaningful improvement" from earlier this year.

Separately, **Target** Corp. reported that its fiscal-third-quarter earnings rose 18%, snapping a streak of eight quarterly declines, thanks to higher profit at its credit-card unit and better consumer demand for non-essential items such as apparel and home goods improved.

Target said it remained cautious about the current quarter and is planning conservatively as it projects a tough economic environment and a lot of promotions for the holidays.

Net income rose to $436 million, or 58 cents a share, from $369 million, or 49 cents, a year earlier. Sales rose 1.4% to $14.8 billion while credit-card revenue declined 7.5% to $487 million.

Same-store sales dropped 1.6%.

For the fourth quarter, the Minneapolis-based retailer said it is planning conservatively and remains cautious in light of the current and projected economic environment and expectations for a highly promotional holiday season.

Credit-card segment profit surged 71% to $60 million as quarter-end card receivables fell 8.2% to $717 million, Target said.

Target has launched a new broadcast campaign and begun testing "low price promise" in markets including Denver and Orlando in a bid to change consumers' perception that its products cost more than at Wal-Mart, analysts said.

The company also has been testing adding fresh foods and groceries in its non-Super Target stores in an initiative called P-Fresh, to help drive store traffic. Gross margin widened to 30.8% from 30.6%.

On the merchandise front, it has continued to roll out exclusive merchandise including a collection created by designer Anna Sui.

*—Mike Barris contributed to this article*

# Home Depot profit, sales fall as demand remains weak

By Mary Ellen Lloyd

**Home Depot** Inc.'s fiscal third-quarter profit fell a smaller-than-expected 8.9% as lower expenses offset continued weak demand for home-improvement products.

Citing its results so far, the big U.S. home-improvement retailer also raised its full-year forecast, projecting an adjusted profit from continuing operations of about $1.55 a share, or a 13% decline. The company previously had projected a 15% to 20% drop.

Still, the implied guidance for the fourth quarter of 12 cents is below the mean forecast of 16 cents among analysts polled by Thomson Reuters. And sales at comparable stores, while again outpacing smaller rival **Lowe's** Cos. in the latest period, decelerated from the second quarter.

"There is still a great deal of pressure in the housing and home-improvement markets, though there are some positive signs of stabilization," said Chairman and Chief Executive Frank Blake.

For the period ended Nov. 1, Home Depot reported earnings of $689 million, or 41 cents a share, down from $756 million, or 45 cents a share, a year earlier.

Revenue fell 8% to $16.36 billion as same-store sales dropped 6.9%.

Mr. Blake said the 7.1% drop in Home Depot's average sales receipt—which was $51.89 in the latest quarter—was a reflection of both weak sales to construction professionals and pressure on sales tied to high-end, discretionary projects.

In August Home Depot estimated its pro business was about 27% of total sales, down from about 32% a year earlier.

Home Depot's gross margin rose to 34% from 33.7%, but selling, general and administrative expenses edged down to 23.7% of sales from 23.8% of sales, while most analysts expected an increase.

Considered a bellwether for housing-related spending, Home Depot reported similar trends in customer traffic and average ticket as Lowe's, which said Monday that traffic stabilized somewhat even as shoppers continue to put off most big-ticket projects.

On Monday, Lowe's said its profit fell 30% as it continued to see weak demand, although the company noted it is seeing signs of stabilization.

Barclays Capital analyst Michael Lasser said Home Depot's results provide a few cautionary points "that will likely serve as a reminder that the home-improvement market will take time to recover."

He suspects a relatively calm hurricane season weighed on sales in the quarter-related spending this year.

Chief Financial Officer Carol Tome said last week that business isn't picking up and hasn't yet benefited from government stimulus money that should be filtering down to the housing sector.

Geographically, Mr. Blake said many Home Depot markets showed a "steadying of our business" in the quarter. Mid-Atlantic and Mid-South markets were the strongest, but Home Depot also saw signs of stabilization in California, Florida and Arizona, which have been hit hardest by the housing crisis.

# Burberry says lean inventory will skirt markdowns

By Kathy Sandler

LONDON—Luxury clothing and accessories retailer **Burberry** PLC won't be selling its products at mark-down prices this Christmas after cutting inventory to fit consumers' recessionary mood.

The fashion company, famous for its red, black and camel-colored check design, said it has scaled back inventory by 40% to avoid the early and deep discounting it has been forced to make since the recession began.

Burberry, which posted a smaller-than-expected 24% drop in first-half net profit, expects to perform well in the second half of its fiscal year as it is selling a greater proportion of its goods through its own stores, and is continuing to trim costs in the face of the economic downturn.

Burberry's clothes and accessories are conceived, designed and ordered months ahead of each season by departments stores and wholesalers, although the lead time is shorter for items destined for the company's own retail stores.

Last year's spring/summer inventory was ordered by Burberry before the downturn. Plummeting demand amid the crisis meant sales started earlier and that discounting was deeper than normal to clear the stock, hitting margins by 8.8 percentage points at the height of the downturn.

Determined to avoid the same fate this year, Burberry has cut stock by 40% and costs by £50 million ($84.2 million) annually, clawing back more full-priced sales and reporting gross margins down just 0.3 percentage point in the first half of fiscal 2010.

That helped the company report better-than-expected first-half results and boosted confidence in the second-half performance, which is expected to show further margin improvements.

Net profit, which includes restructuring costs, fell 24% in the six months to Sept. 30 to £56.8 million from £74.8 million a year earlier. Pretax profit, excluding restructuring costs, tax adjustment and some goodwill impact last year—a key figure tracked by analysts—fell 13% to £83 million from £95 million. The figure beat analysts' expectations for a drop to £77 million.

Signaling its confidence, the company recommended a 3.5 pence dividend, up 4% from a year earlier.

Overall sales in the first half of its fiscal year rose 6.2% to £572.4 million from £539.1 million a year earlier, helped by the pound's weakness which boosts revenues from abroad when reported in sterling. Excluding currency moves, sales fell 5% due to the slump in wholesale revenue.

Wholesale revenue fell 23% on a constant currency basis in the first half.

But Burberry's retail division has returned to growth, with constant currency sales up 14% and sales from stores open more than a year up 2% in the first half, boosted by strong demand later in the period for Burberry's autumn/winter collection of trench coats, handbags and warm snoods.

With wholesale still declining, the mix of sales has swung toward retail, increasing to 54% of sales from 45%, helping to boost margins but also increasing operating expenses.

Burberry plans to add 8% to 10% of retail space per year for the next three years, some of which will be new smaller-format stores to house the Burberry Brit label, in New York initially and in younger urban areas like Santa Monica and potential sites in London.

Despite the 40% drop in inventory, Chief Financial Officer Stacey Cartwright told reporters on a conference call she believes Burberry is well-placed for Christmas. She wouldn't predict whether this Christmas would be better or worse than last year's.

Ms. Cartwright noted that Burberry carries replenishment inventory for the group's best sellers, which include its core outerwear products like trench coats and large leather goods like handbags.

"There's momentum in the brand right now and we want to be sure we don't miss a sale," she said.

EXPRESSION OF INTEREST IN RELATION TO A BIOMASS PLANT

Interested parties are hereby invited to register their interest in relation to a 24MW biomass-to-energy ('BTE Plant') located in the People's Republic of China. The BTE Plant is indirectly owned by a Singapore company in judicial management.

The BTE Plant consists of 2 modular lines, 2 x 300 MT biomass-to-energy system, generating 24MW of power with 40 ton/hour steam co-generation option. Immediate funding is required to complete the construction of the BTE Plant, as well as for working capital and debt restructuring purposes.

Expression of interest must reach the Receiver on or before 2 December 2009 (Wednesday).

For further information, please contact either Ms. Geraldine Tan at Tel: (65) 6828 9118 ext 819 / Email: geraldinetan@bdo.com.sg or Mr. Dev Nandwani at Tel: (65) 6828 9118 ext 820 / Email: devnandwani@bdo.com.sg.

CORPORATE NEWS

# Devon Energy plans to sell assets

*Focus will turn to North American onshore projects*

By Ben Casselman and Jason Womack

**Devon Energy** Corp. plans to sell all of its assets in the Gulf of Mexico and overseas next year in order to focus on its onshore North American operations.

The surprise move is the latest sign of how lower energy prices are making it harder for smaller oil companies such as Devon to compete with global giants like Exxon Mobil Corp. and BP PLC on big offshore projects.

Oklahoma City-based Devon expects to bring in $4.5 billion to $7.5 billion from the sale of its operations in the U.S. Gulf of Mexico and in Brazil, China and Azerbaijan. The company expects to complete the sales by the end of 2010.

Most projects Devon is selling are high-risk, high-reward offshore fields, which could hold huge amounts of oil and gas but will require billions of dollars and take years to develop. That put a strain on Devon, which is large for a so-called independent oil company but is a tenth the size of Exxon by market capitalization.

Devon has found itself with less money to spend, largely because natural-gas prices have dropped nearly 30% over the last 52 weeks.

Despite having less cash, Devon can't easily dial back spending on the long-term offshore projects, because their budgets are set years in advance. So the company has had to devote a bigger share of its spending to its offshore drilling, leaving less cash available for its U.S. and Canadian operations.

"We find ourselves where we have the blessing of too many opportunities that we cannot fund," Devon Chairman and Chief Executive Larry Nichols said in an interview.

This year, the company will spend about 30% of its capital budget on its offshore and Gulf of Mexico projects, compared with 15% or less in past years; the areas account for just 11% of the company's oil production. In May, Devon announced plans to sell a stake in its Gulf of Mexico operations, but Mr. Nichols said he decided more drastic action was needed.

The sales will free up cash for Devon to focus on increasing production from its newly discovered natural-gas fields in the U.S. and Canada. Such onshore production involves drilling lots of relatively small wells, which makes it easier to increase or decrease spending in response to fluctuating commodity prices.

Devon will also increase its Canadian oil-sands projects, which have become more profitable as oil prices have rebounded in recent months. The company will also pay down $4.4 billion of its $6.9 billion debt.

Devon is the latest oil company to announce plans to shrink through asset sales. U.S. major ConocoPhillips last month said it would sell $10 billion in assets over the next two years, and El Paso Corp., a natural-gas producer and pipeline operator, earlier this month said it would sell $300 to $500 million in assets.

Some observers questioned the wisdom of selling all of Devon's overseas assets, which distinguished the company from other big U.S. gas producers.

"You're removing what set them apart a little bit," said Jim Byrne of BMO Capital Markets in Calgary.

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# Africa's Standard Bank sees China profit growth

By J.R. Wu

BEIJING—Standard Bank PLC, a unit of **Standard Bank Group** Ltd., expects to double the net profit from its China operations next year to $100 million, the China head of Africa's largest lender by assets said Tuesday.

"When we look at our deal pipeline, we look at transactions that are close to closure and will close in the new year, we look at some of the volumes we've projected based on our budget processes, we're pretty confident the US$50 million we made this year will be doubled next year," Craig Bond, chief executive for Standard Bank in China, said in an interview.

Johannesburg-based Standard Bank, in which **Industrial & Commercial Bank of China** Ltd. holds a 20% stake, is looking at ways that the two, plus **Troika Dialog**, Russia's largest independent investment bank, can work together, he said.

The tie-up involving banks in China and Africa has been hailed by some observers as a model of an alliance between China, hungry for energy and commodities to feed its growing economy, and resource-rich but poverty-stricken Africa.

ICBC, China's largest bank by assets, bought its Standard Bank stake in 2007 for around $5.5 billion to become the lender's biggest shareholder, in what was China's largest investment in Africa at the time. This year, Standard Bank took a 33% share in Troika Dialog in a $200 million deal.

Standard Bank

Craig Bond, the chief executive of Standard Life in China.

The three-way initiative is fairly new, but is part of Standard Bank's goal to be the "go-to" bank for emerging markets, Mr. Bond said.

"At this stage, we are looking to be the bridge between China in its 'Going Out' initiative and the key emerging markets that we operate in," he said, referring to China's policy to encourage its firms to expand overseas.

China's reputation varies across Africa's 53 countries, Mr. Bond said. Problems will continue to emerge given the high volume of traffic between China and Africa, but "China Inc. moving into Africa has definitely come of age."

Mr. Bond said Standard Bank is also seeking to expand its operations in Brazil.

# Bharti Airtel may outsource

**Bharti Airtel** Ltd. is banking on mobile entertainment and mobile commerce, which allows banking services on cellphones, to generate growth in its home market of India.

"Over the next six to 12 months, both these services will pick up," Chief Executive Manoj Kohli said. The company, India's largest telecommunications operator by subscribers, also is considering outsourcing some operations, he said in an interview Tuesday.

Bharti is evaluating outsourcing its network operations. "We should have a decision in the next few months," Mr. Kohli said. He declined to name with whom Bharti is talking.

MARKETS

# UBS outlines a path back to profitability

*Annual pretax profit expected within three to five years; CEO seeks to restore investor confidence*

By Deborah Ball

ZURICH—**UBS** AG laid out plans to restore the Swiss bank to profit, saying it planned to make an annual pretax profit of 15 billion Swiss francs ($14.89 billion) within three to five years.

In his first major presentation since taking the helm at the scandal-hit bank in February, Chief Executive Oswald Grübel told investors that a full turnaround would still take some time. "We are on track. We have stabilized UBS's financial condition, but we still have some serious topics to address," Mr. Grübel, who formerly was chief executive of Credit Suisse Group AG, told investors. The bank posted a 2008 loss of 21 billion francs and 3.9 billion francs in the first three quarters of this year.

In setting out profit targets, Mr. Grübel is hoping to restore investor confidence in the bank, which in turn could stanch some of the large outflows of assets that UBS has sustained since the start of 2008. Since then, investors have pulled a net 165 billion francs in assets from the bank. Mr. Grübel said he expects the flow to turn positive some time next year, but didn't provide a more specific target. Asset inflows are a closely watched gauge of client confidence and future revenue.

UBS has been among the banks hardest hit by the financial crisis, suffering huge losses in its investment bank and a decline in market share, although the bank showed signs of stabilizing during the third quarter. In addition, its private bank has been hard hit by a bruising battle with U.S. tax authorities over secret UBS offshore accounts held by American clients. It is still struggling to keep both clients and its best bankers from defecting to competitors. UBS received six billion francs from the Swiss government in 2008 in the form of a convertible note. The government sold its investment in August. The Swiss National Bank still manages a fund of UBS's toxic assets.

Reuters

UBS Chief Executive Oswald Gruebel, shown at a news conference in August, said the bank's condition has stabilized.

Meanwhile, the Swiss government unveiled more details of the agreement it struck in August with U.S. tax authorities to settle the UBS case, a clash that forced Switzerland to relax its bank secrecy laws. The details of the agreement were withheld until Tuesday in part to encourage U.S. clients of UBS to voluntarily disclose secret accounts to U.S. authorities. The IRS said Tuesday that more than 14,700 U.S. taxpayers came forward to disclose billions of dollars in offshore bank accounts in 70 countries under a program that allowed most to avoid criminal prosecution if they paid back taxes. That program ended Oct. 15.

Under the agreement, the Swiss government said it could hand over details of American clients who hid more than one million Swiss francs in UBS accounts between 2001 and 2008. Moreover, the agreement allows for Swiss authorities to hand over the details of any Americans who owned offshore company accounts at any Swiss bank between those years. and who might have committed tax fraud. The details of the agreement have been closely watched to know how far Swiss authorities would go in responding to demands from foreign authorities for information on their citizens' offshore bank accounts in Switzerland.

Mr. Grübel laid out a plan to restore UBS to health by cutting costs, finding synergies among its investment-banking, private-bank and asset-management units and growing in emerging markets, particularly Asia, where it has suffered less damage to its reputation. UBS set a target return on equity of 15% to 20% within three to five years; so far this year, that ratio has been negative. UBS also aims to lower its cost-income ratio to between 65% and 75%, from a current 109%.

It plans to push its investment and private bankers to work more closely together to target very rich clients who want help with both their businesses and their own investments. It also will push its asset-management division to come up with more customized investment products to appeal to such clients. Competitors such as Credit Suisse have earned rich profits in recent years from such synergies.

Robert McCann, a former executive at Merrill Lynch recruited a month ago to head UBS's U.S. wealth-management unit, said the bank has no plans to sell the American division, quelching speculation that it could rid itself of a unit whose profitability has lagged behind competitors.

Bank Sarasin analyst Rainer Skierka lauded the targets as ambitious and better-than-expected, but said UBS faces an uphill struggle to reverse private bank outflows, which is key to restoring credibility and reaching the overall targets. "In addition, the restructuring of the investment bank and wealth management U.S. will be decisive factors," he said.

UBS shares were down 3.3% at 16.91 francs in late Zurich trading.

*—Katharina Bart contributed to this article.*

# RBS ousts eight in Asian-Pacific group

By Amy Or

HONG KONG—**Royal Bank of Scotland Group** PLC has dismissed eight Hong Kong corporate-finance bankers as part of its merger of two corporate-finance-advisory teams in the Asian-Pacific region, people familiar with the situation said.

They said the eight bankers included some from the financial-sponsors team, which caters to private-equity clients. Mike Netterfield, who led the financial-sponsors team, is "exploring other opportunities within the bank," one person said. Mr. Netterfield declined to comment.

The team's work will be taken up by other bankers, one person said.

An RBS senior executive said the bank's focus on hiring high-caliber professionals will keep overall numbers unchanged, despite the layoffs.

"This is not a cost-reduction exercise. It is about realigning ourselves to do an even better job for our clients," said John Mullins, RBS regional head of banking. "The realignment allows us to reposition ourselves for future growth."

Mr. Mullins declined to provide specific details, but said the number of people at its Asian operations is at "a sensible level."

RBS has more than 3,800 employees at its Asian-Pacific global banking and markets division, which includes its wholesale and investment-banking businesses.

The combination of the two corporate-advisory teams would allow it to strengthen its equity-capital-markets and mergers-and-acquisitions businesses, Mr. Mullins said.

In the realignment announced internally Monday, the Edinburgh bank, which is 70%-owned by the U.K. government, is grouping all its corporate-finance and advisory bankers under one team, the Asian corporate-finance division.

As a result of the realignment, Sanjeev Kumar, regional head of corporate finance and risk solutions, has been named head of Asian corporate finance.

Meighen Robertson, a co-head of the Asian corporate-finance group, will head the Asian sectors team, responsible for a select group of clients and will work closely with country coverage bankers to drive products.

The other co-head of Asian corporate finance, Michael Bracken, has been appointed to the newly created role of chief operating officer for banking.

Mr. Mullins said the merger of the two corporate-advisory teams is the last step in a regional reorganization of the bank announced in July.

RBS also has been losing bankers to rival banks. Two former RBS M&A bankers in Australia have joined the investment-banking unit of **Barclays** PLC, another person familiar with the situation said.

# AMP CEO dashes hopes of higher AXA unit bid

By Rebecca Thurlow And Alex Wilson

SYDNEY—**AMP** Ltd. Chief Executive Craig Dunn said the Australian wealth manager's 12 billion Australian dollar (US$11.24 billion) proposal to buy **AXA Asia Pacific Holdings** Ltd. has to make sense economically, dulling hopes that AMP might soon sweeten its joint proposal with France's **AXA** SA.

The target's independent directors last week rejected the offer as inadequate.

"Combining with AXA would accelerate the delivery of key parts of our strategy and make us even more competitive, but it only makes sense at a price that's economically responsible," Mr. Dunn told a business luncheon.

"While the proposed merger with AXA is a transaction we want to do, it's not a transaction we have to do. We have significant opportunities for organic growth in our business in Australia and Asia."

AXA APH's share price fell as much as 3.3% on Tuesday, hitting as low as A$5.79 before rebounding to close at A$5.84, down 2.5%.

Last week, AMP and AXA SA said they were teaming up for a cash-and-share bid for AXA APH, which valued the business at A$5.34 a share based on the previous trading day's closing share price. Shares in AMP have risen since the offer was made, making the proposal more valuable at about A$5.72 a share.

"The proposal has only been gone for seven business days, so in my view it is still early days," Mr. Dunn said.

Under the complex proposal, which is conditional on board approval, each minority AXA APH shareholder would receive 0.6896 AMP share and around A$1.38 cash for each share. The cash component of the offer varies with movements in the Australian dollar/U.S. dollar exchange rate, but will be at least A$1.2071 a share.

AMP would buy AXA APH, including the 53.9% owned by AXA SA, and keep the Australian and New Zealand businesses. It would then sell the Asian operations to AXA SA, a French insurance giant, for around A$7.73 billion.

Mr. Dunn said AMP shareholders are strong supporters of the proposal and that the increase in AMP's share price shows the market believes the plan makes strategic and economic sense.

# Hopu to invest $1.2 billion in Minsheng

By Rick Carew

HONG KONG—Private-equity firm **Hopu Investment Management** Co. is planning to invest around $1.2 billion in **China Minsheng Banking** Corp., making it the biggest participant thus far in the midsize lender's initial public offering, according to a person familiar with the situation.

The investment should leave Hopu with a significant chunk of Minsheng's public offering, depending on its final allocation, and a stake in the company of roughly 3% to 4%.

The Chinese lender could raise up to $4.1 billion by selling 3.32 million new shares at between HK$8.50 and HK$9.50 (US$1.10 and US$1.23).

That would make it the biggest IPO in Hong Kong this year, topping **Metallurgical Corp. of China** Ltd.'s US$2.4 billion Hong Kong offering of shares in September.

Minsheng's pricing is expected to be around HK$8.75 a share, the person familiar with the situation said. Minsheng also has an option to increase the deal size by 15%.

Hopu is a $2.5 billion fund raised by Chinese deal maker Fang Fenglei and former **Goldman Sachs Group** Inc. banker Richard Ong. The fund's investors include Singapore's **Temasek Holdings** and Goldman.

Other Hopu investments include a Mongolian mining project and a Chinese dairy company.

# Lazard taps veteran Jacobs for top job

By Michael Corkery

**Lazard** Ltd. named Kenneth M. Jacobs as chairman and chief executive, drawing from the firm's younger generation of bankers to succeed the late Bruce Wasserstein, a famed deal maker.

The board of the investment-banking boutique unanimously selected Mr. Jacobs, 51 years old, over Vice Chairman and interim Chief Executive Steven Golub, who was considered a leading contender for the top spot, to succeed Mr. Wasserstein, who died last month.

Mr. Jacobs, the leader of the firm's North American banking effort, also was picked over Gary Parr, 52, who heads Lazard's financial institutions group. Mr Parr, who was hired away from Morgan Stanley as part of Mr. Wasserstein's efforts to revitalize the firm after a string of defections earlier this decade, was named to the board.

By choosing Mr. Jacobs, the Lazard board has gone with a banker who has weathered much of the infighting that threatened to tear Lazard apart shortly before Mr. Wasserstein arrived as CEO in 2002.

Mr. Jacobs joined Lazard in 1988 from Goldman Sachs and was a health-care banker who served on Lazard's executive committee during much of the turmoil. Mr. Wasserstein is credited with placating Lazard bankers by giving many of them equity in the 161-year-old firm and restoring its prominence as an M&A adviser.

The board called Mr. Wasserstein an "iconic figure for the industry," while praising Mr. Jacobs for his track record of building new businesses and his creativity and intellect.

In addition to his experience advising on health care, Mr. Jacobs has cut his teeth as a manager, overseeing Lazard's business in North America since 2002. Under his watch, Mr. Jacobs has added new practices such as restructuring, strategic capital structure advice and a private-fund advisory, and opened offices in Boston, Houston and Washington, D.C.

In addition, Antonio Weiss was appointed global head of investment banking. Mr. Jacobs will work in partnership with Mr. Weiss and Alex Stern, who was recently named chief operating officer, and the existing banking leadership in Europe and the U.S.

Mr. Golub will continue in the roles of vice chairman

Bloomberg News

Lazard CEO Kenneth M. Jacobs

# Buffett raises Wal-Mart holdings

*Billionaire investor buys stakes in Nestlé and Exxon, boosts shares of Wells Fargo*

By Lavonne Kuykendall And Marshall Eckblad

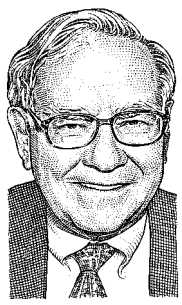
Warren Buffett nearly doubled his holdings of **Wal-Mart Stores** Inc. in the quarter ended Sept. 30, according to filings, in one of several changes the **Berkshire Hathaway** Inc. chief executive made in the company's investment portfolio.

The total value of Berkshire's equity holdings rose more than 15%, to $56.6 billion at Sept. 30.

Mr. Buffett increased his holdings of Wal-Mart, the world's largest retailer, to 37.8 million shares on Sept. 30 from 19.9 million shares at the end of June.

He also reported closing out his stake in several companies and introduced a handful of new companies from various sectors of the market.

Mr. Buffett's investment vehicle, Berkshire Hathaway, reported new stakes of 27,366 shares of commercial insurer **Travelers** Cos., 3.4 million ADRs of food maker **Nestlé** SA, and 3.625 million shares of waste-management firm **Republic Services** Inc., while selling out or cutting back his stakes in several others.



*Warren Buffett*

Mr. Buffett also boosted his stake by nearly 11 million shares of **Wells Fargo** & Co. to 313.4 million shares.

He reported for the first time a stake of 1.28 million shares on Sept. 30 of **Exxon Mobil** Corp. However, on Monday, he disclosed that as of June 30 he had held 854,490 shares of Exxon Mobil.

Mr. Buffett said in the filing that he has been granted confidential treatment by the SEC for some of his holdings, but he didn't provide any additional detail.

Prominent investors are sometimes permitted to temporarily withhold information from their quarterly reports if the disclosure would interfere with an investment strategy.

For example, Mr. Buffett was permitted to not disclose his holdings of Exxon Mobil at the end of the second quarter.

Mr. Buffett reported no stake in **Eaton** Corp., compared with two million shares reported on June 30, and no stake in **Wabco Holdings** Inc. from 2.7 million shares at June 30.

He reduced holdings of **ConocoPhillips** by 7 million shares, to 57.4 million at Sept. 30. He also said he held 6 million shares of **NRG Energy** Inc., down from a stake of 7.2 million shares listed in June.

He reported holding 3.4 million shares of **Wellpoint** Inc., down from 3.5 million shares at the end of June.

Mr. Buffett also reported holding around 3.2 million shares of **SunTrust Banks** Inc., down 124,822 shares from June 30.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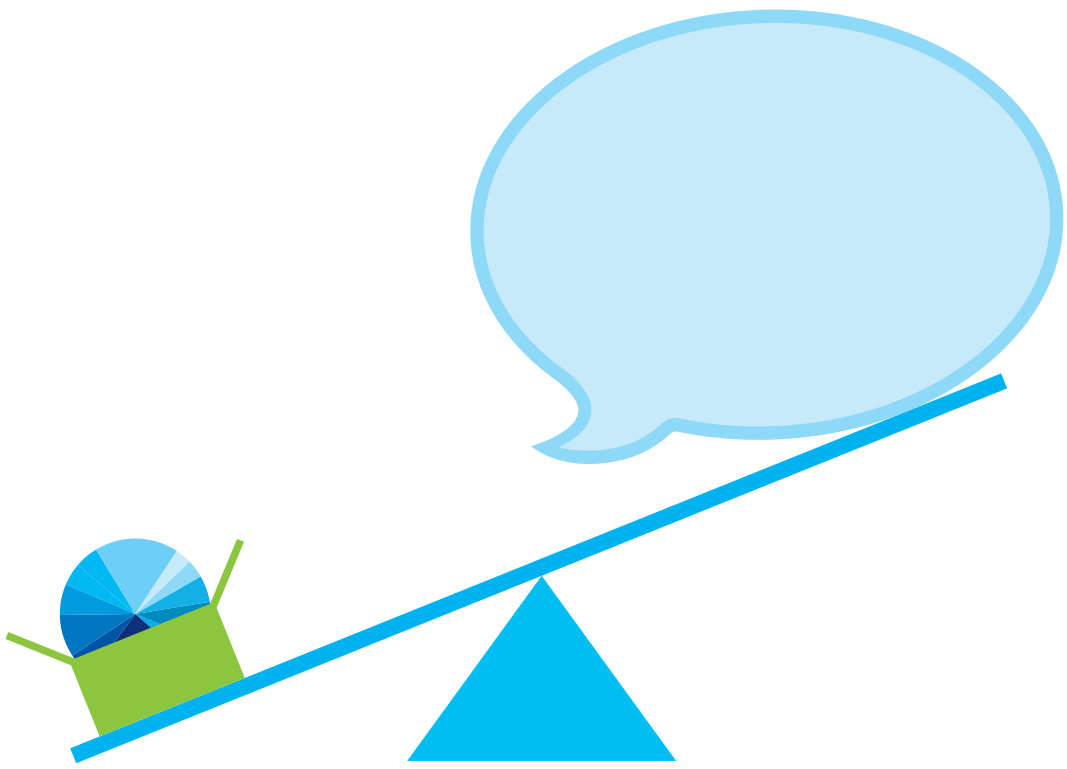

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BARCLAYS GLOBAL INVESTORS

MARKETS

# Big isn't always best in private-equity bets

*Study looks at firms that return the most bang for the buck and finds few brand names*

By James Mawson

If an investor had just $1 to invest with a private-equity firm, he probably would be better off outside many of the industry's brand names, according to the results of a long-running academic study into the industry's performance.

The analysis by Oliver Gottschalg, associate professor of strategy and business policy at the HEC School of Management in Paris, takes the average annual performance rates of each firm to calculate how much the firm would have returned from 1996 to 2005.

Putting $1 to work in a top 10 private-equity firm would have delivered $2.25 to investors, compared with $1.59 for the average firm.

The top 10 list is dominated by firms that garner few headlines. **CVC Capital Partners**, a global buyout firm in the U.S. that raised more than $18 billion in the decade under analysis, is the largest alternative-asset manager in the top 10. The No. 1 fund was **Leonard Green & Partners** LP, of California.

The methodology meant the largest funds were judged on the same terms as smaller peers that may focus on a niche in order to gain consistency and build on skills within a certain sector or geography they might lose by expanding.

The HEC-Gottschalg method provides a weighting to account for the age of a fund, but cuts out funds younger than four years, which is why the period researched ran from 1996 to 2005.

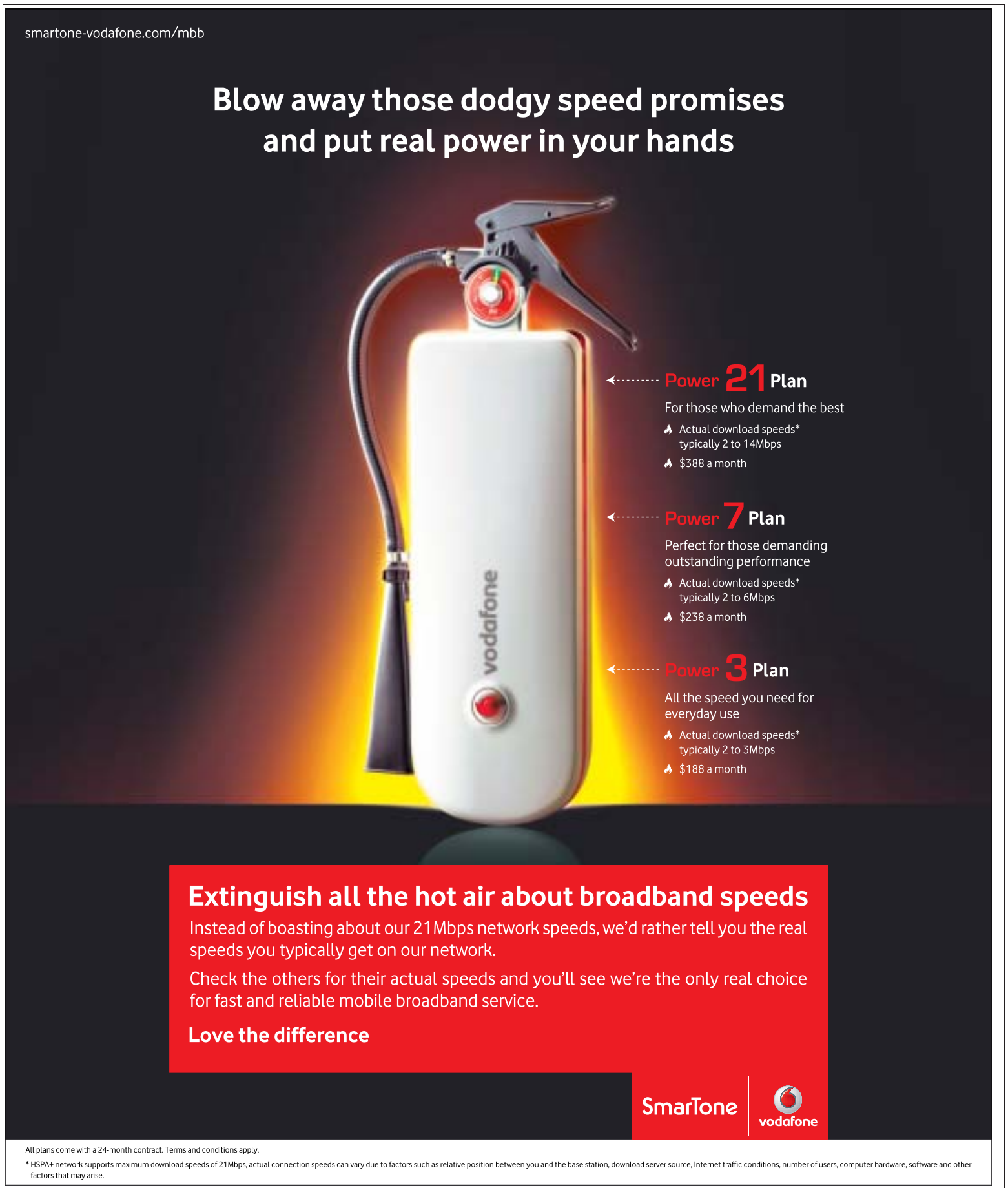
"We did not consider the size of fund, i.e. the absolute amount raised and returned, but the profits made on each dollar invested," said Mr. Gottschalg, who created the methodology to analyze the industry for a project sponsored by Robert Ryan from advisory firm **Peracs Due Diligence Services**. "This explains why the megafranchises do not show up as the dollar amounts they have created is impressive but for some it might also be because they could not provide enough data to analyze them sufficiently."

"Private equity is not perfect but if implemented correctly can be a very effective form of ownership and governance," said Michael Smith, chairman of CVC.

**Private equity** | Top 10 buyout firms

| Rank | Firm | Overall score* | Location |
|---|---|---|---|
| 1 | Leonard Green & Partners | 2.89 | U.S. |
| 2 | Nordic Capital | 2.21 | Sweden |
| 3 | Astorg Partners | 2.10 | France |
| 4 | Gilde Buy Out Partners | 2.07 | U.K. |
| 5 | Charterhouse Capital Partners | 1.73 | Netherlands |
| 6 | Linsalata Capital Partners | 1.48 | U.S. |
| 7 | Berkshire Partners | 1.43 | U.S. |
| 8 | CVC Capital Partners | 1.31 | U.K. |
| 9 | AXA Private Equity | 0.87 | France |
| 10 | Brockway Moran & Partners | 0.79 | U.S. |

Note: The outperformance between 1996 and 2005 expressed as a standard deviation from the average firm's return.
Source: PERACS CN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# Chinatrust will buy 30% of Nan Shan

By Aries Poon
And Perris Lee Choon Siong

HONG KONG—A consortium led by **China Strategic Holdings** Ltd. plans to sell a 30% stake in **Nan Shan Life Insurance** Co., which it recently agreed to buy, to **Chinatrust Financial Holding** Co.

In exchange, China Strategic will receive a 9.95% stake in Chinatrust, a Taiwan financial conglomerate, people familiar with the situation said Tuesday.

The deal, which values the 30% stake of Nan Shan at between US$600 million and US$650 million, comes a month after China Strategic, in a consortium with **Primus Financial Holdings** Ltd., agreed to pay US$2.15 billion for a 97.5% stake in Nan Shan, the Taiwan unit of **American International Group** Inc.

No cash will change hands, one person said, although Chinatrust will issue new shares to the consortium as part of the transaction, another person said.

The deal will proceed once China Strategic's acquisition of Nan Shan from AIG is complete, likely before the Lunar New Year holiday in February, another person said.

China Strategic and Primus will first acquire the Chinatrust stake, and then Chinatrust will get the Nan Shan share.

Chinatrust was one of the bidders for Nan Shan, the Taiwan unit put up for sale by AIG earlier this year to raise funds to repay the tens of billions of dollars it has received from the U.S. government.

The consortium is 80% held by China Strategic, primarily a battery maker owned by a group of Hong Kong businessmen, and 20% by Primus, a Hong Kong-based financial services firm.

Taipei-based Chinatrust, which owns the island's largest credit-card issuer and is Taiwan's largest bancassurance services provider, is expected to approve the plan at a board meeting, one person said.

"Through this deal, China Strategic gets a local partner, always a desirable situation for a company," the person said. "Chinatrust has a strong local network and that will help expand Nan Shan's sales network in Taiwan."

MARKETS

# The winding path of Goffer brothers

*Young traders linked to Galleon insider case sought riches and prestige; bags of cash and 'Tipper X'*

By Gregory Zuckerman And Jenny Strasburg

Like other young Wall Street traders, a group caught up in the burgeoning **Galleon Group** insider-trading scandal was looking for both riches and advancement.

But the journeys of Zvi Goffer, his brother Emanuel, and associates Michael Kimelman, David Plate and Gautham Shankar proved a challenging one, according to securities records and interviews. The men bounced repeatedly between small hedge funds and trading shops far from Wall Street's main stages.

Prosecutors now allege their ambitions got the best of them, turning Zvi Goffer into "Octopussy"—a pseudonym from the charging documents in the insider-trading case—who allegedly collected and profited from illegal information. His recent arrest thrust him and his network of associates into the largest insider case in a generation.

Attorneys representing Mr. Goffer and Mr. Plate wouldn't comment. An attorney for Emanuel Goffer didn't return phone or email messages. Mr. Shankar's attorney wouldn't comment.

During a decade on Wall Streeet, Zvi Goffer, 32 years old, traded for more than half a dozen different firms, according to securities-industry records and people who worked with him. Starting in 1999, at a day-trading firm called Heartland Securities, he scored big gains riding hot technology initial public offerings, according to colleagues.

At Heartland he met another trader, Mr. Kimelman, who began his career at the elite law firm Sullivan & Cromwell and then left to try his hand at trading. Mr. Kimelman, a quiet presence, adopted a cautious trading style and raced home to Westchester County each evening to be with his wife and children, according to two people who worked with him.

Mr. Goffer, an outgoing bachelor at the time, made much bigger bets while at Heartland. He talked up his trades with colleagues, and seemed hungry to find a bigger stage, according to those who worked with him.

But when the tech-stock bubble burst in 2000, he found it difficult to generate profits, according to two Heartland colleagues. Sometimes Mr. Goffer let his frustrations show, colleagues said. On more than one occasion, trading losses sent Mr. Goffer into a fury, and he threw his computer keyboard so violently that keys flew across Heartland's trading floor.

After working at a number of trading firms over the past decade, Mr. Goffer landed at midsize hedge fund **Schottenfeld Group** in early 2007. Like a number of funds, Schottenfeld didn't heavily train or direct its traders. Instead, each was given a pot of money, which could amount to $10 million or more, with which to make trades. If they made money, the traders split the winnings with Schottenfeld, which collected about half the gains; if they lost, the firm suffered and the traders could feel pressure to leave.

While such firms track their traders' activity, especially after a highly successful trade, there is little day-to-day scrutiny of where traders get their information, some traders say, The firms typically check that traders have the required securities licenses before bringing them on board, and sometimes ask for performance records from prior work before extending loans, or "leverage" in industry parlance.

Mr. Goffer seemed to have a special ability to profit by picking merger targets, according to a senior Schottenfeld executive. At the time, a rash of corporate mergers were taking place, and shares of acquisition targets often climbed well before any announcement of a deal. Some colleagues raised the issue with Mr. Goffer, who denied any improper trading in a meeting before the firm's 60 employees, according to the Schottenfeld executive.

At Schottenfeld, Mr. Goffer forged a friendship with a few others traders including Messrs. Plate and Shankar, according to the executive. Mr. Shankar worked primarily in securities sales starting in 2000, before spending less than a year as a junior analyst at a small hedge fund in 2006, industry records and a person who knows him said. Then he went to Schottenfeld, according to securities-industry records.

Mr. Plate started securities work in 1999, and worked at two firms, including Schottenfeld, according to securities filings. He later was associated with Zvi Goffer's Incremental Capital, according to the criminal complaint against Mr. Plate. His attorney denies he worked at Incremental.

It was during the summer and fall of 2007 that the government alleges that Mr. Goffer, with the aid of those including Mr. Shankar, profited from illegal information behind merger deals. His brother Emanuel Goffer, Mr. Kimelman, Mr. Shankar, and Mr. Plate are accused of illegally trading or sharing information as part of an alleged ring that sought to profit from Zvi Goffer's information. Mr. Shankar pleaded guilty to passing tips on deals, and shuttling bags of cash between Mr. Goffer and an unknown party identified in court filings as "Tipper X."

Eventually, Mr. Goffer's big gains at Schottenfeld became more infrequent, according to an executive of the firm. Mr. Shankar and Mr. Plate also weren't big winners, according to the Schottenfeld executive. They all eventually left.

Soon Zvi Goffer co-founded his own firm, Incremental Capital LLC, along with his brother. There they traded alongside Mr. Kimelman and Mr. Plate, according to court filings and people who know them. Like other hedge-fund players, the group shopped around for the cheapest trading costs and the most leverage.

Mr. Goffer later joined Galleon, where he worked between January to September 2008. He left the firm after his returns were lackluster, according to someone familiar with the situation. He is accused of illegally swapping insider information while at Galleon in 2007, according to court filings. It was charges against Galleon's founder, Raj Rajaratnam, that first brought the alleged insider-trading ring to public light. Mr. Rajaratnam has denied wrongdoing.

Starting in 2008, the Incremental traders, all in their 30s, worked out of a Midtown Manhattan office, linking through their computers to a New York-based day-trading platform that until September was called RBC Professional Trader Group. Since January 2007, the day-trading platform had been owned by RBC Capital Markets, the U.S. broker-dealer of Canada's biggest bank, the **Royal Bank of Canada**. Incremental Capital traded through the RBC platform from mid-2008 to August 2009, when RBC severed ties with Incremental before selling the day-trading business, according to people familiar with the matter.

RBC extended a line of credit in the tens of millions of dollars, an arrangement it had with numerous other traders on the platform, people familiar with the matter said. The Incremental traders aren't alleged to have made illegal trades through RBC, and RBC isn't named in the case.Ultimately, RBC executives cut ties with Incremental because the relationship wasn't sufficiently profitable compared to the risks the bank was taking, people familiar with the matter said.

*—Robin Sidel contributed to this article.*

Getty Images (left); Bloomberg News

Emanuel Goffer, left, and Zvi Goffer leave a Manhattan court on Nov. 5.

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# Treasurys fall after big gains a day earlier

By Deborah Lynn Blumberg

NEW YORK—Treasurys slipped Tuesday as market participants took some profits after Monday's government-debt buying binge.

**U.S. CREDIT MARKETS**

Bond yields, which move inversely to prices, fell a little too far Monday, traders said, making shorter-term Treasurys look a bit too expensive. The two-year yield fell to its lowest level since January on Monday, as low as 0.758%.

At 11 a.m. in New York, the two-year note was unchanged to yield 0.78%, the 10-year was down 7/32 to yield 3.36% and the 30-year fell 9/32 to yield 4.27%.

The government-bond market's lower prices came despite bond-friendly inflation figures early in the day. Stocks were flat in late morning trade and the dollar stronger.

Lower Treasury prices "are more of a take-back from yesterday," said Aaron Kohli, a Treasurys strategist at RBS. "It felt like we crossed some significant [yield] hurdles Monday," he said, noting that two-year notes looked pricey.

Investors Monday stocked up on Treasurys as Federal Reserve Chairman Ben Bernanke offered a still cautious take on the U.S. economy and reiterated that interest rates will remain low for a while as the economy slowly recovers from the sharp downturn.

# A Members Equity issue is a first for Australia

By Enda Curran

SYDNEY—**Members Equity Bank** Pty. Ltd. priced about 783 million Australian dollars (US$734 million) in residential mortgage-backed securities, including a class of bonds that can be redeemed at face value or converted into one of the other bond tranches, a first for Australia.

It was the third issue in recent months without any government support from Members Equity, a Melbourne-based lender that specializes in affordable mortgages and is owned by industry pension funds.

**BOND MARKETS**

The sale is another illustration of growing investor demand for highly rated securitized assets even as the government recently committed another A$8 billion to prop up the mortgage-lending business. Other borrowers continue to tap a government program that buys RMBS from smaller banks, which the government says will spur lending and keep competition alive in the mortgage market.

The Class A1R A$250 million top tranche of the SMHL Securitisation Fund 2009-3's floating-rate bonds, which are redeemable and rated triple-A, were priced at 0.70 percentage point over swap rates.

"The enhanced liquidity of the A1R tranche was aimed squarely at bringing cash funds and money-market investors to the table," said John Barry, head of securitization at National Australia Bank, who led the deal. Mr. Barry said the redeemable structure may become a feature of future RMBS deals.

The lender also sold A$500 million of Class A1, triple-A rated paper and A$16.4 million each of Class AB and Class B notes. All the tranches mature in November 2040.

Among other Asian borrowers, **Temasek Holdings** Pte. Ltd., the Singapore government-owned investment company, returned to the international bond market for the second time this year to raise $500 million via a 30-year issue. It priced its November 2039 bond at 99.029 to pay a yield of 5.441%, yielding 1.15 percentage point above comparable U.S. Treasury securities.

The issue, via wholly owned subsidiary Temasek Financial Ltd., is the company's third global bond in its 35-year history.

**Vincom Joint Stock** Co., one of Vietnam's biggest property developers by assets, raised US$100 million in five-year convertible bonds, in a deal the company said opened up a new source of funding for other Vietnamese companies. The transaction is the first convertible bond issue by Vincom, as well as the first offshore convertible bond issued by a Vietnamese company, it said.

The 6% bonds are convertible into Vincom shares at 113,400 Vietnamese dong (US$6.34), a 5% premium above the closing price on Monday, when the deal was launched. The premium is at the low end of the 5% to 10% range indicated to investors.

In Tokyo, yields on Japanese government bonds fell Tuesday as weaker domestic stock prices and lower U.S. yields encouraged buying. The benchmark 10-year yield fell 0.025 percentage point to 1.305%.

Concerns about deflation pushed down the 20-year yield by 0.035 percentage point to 2.05%, its lowest point since Oct. 14. Citing government sources, the Nikkei newspaper reported in its Monday evening edition that the government has entered the final stages of internal deliberations to declare the domestic economy in deflation.

*——Ditas Lopez in Singapore, Amy Or in Hong Kong and Miho Nakauchi in Tokyo contributed to this article.*

# FUND SCORECARD

## Sector Equity Biotechnology

Funds that invest primarily in the equities of companies that focus on biotechnology. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending November 17, 2009

### Leading 10 Performers

| FUND RATING* | FUND NAME | FUND MGM'T CO. | CURR. | LEGAL BASE | % Return in $US ** YTD | 1-YR | 2-YR | 5-YR |
|---|---|---|---|---|---|---|---|---|
| 3 | **FCP OP MEDICAL BioHe@lth-Trds EUR** | Oppenheim Asset Mgmt Services S.à r.l. | EUR | Luxembrg | **68.37** | 68.75 | 4.68 | 5.23 |
| 5 | **Danske Inv Bioteknologi** | Danske Invest | DKK | Denmark | **48.38** | 52.88 | 10.73 | 11.98 |
| 4 | **Dexia Eqs L Biotechnology C Acc** | Dexia Asset Management | USD | Luxembrg | **39.73** | 46.85 | 3.23 | 8.12 |
| 5 | **UniSector: GenTech A** | Union Investment Luxembourg S.A. | EUR | Luxembrg | **32.88** | 39.20 | 6.26 | 10.91 |
| 2 | **SLF (Lux) Equity Biomedical** | Swiss Life Funds AG | EUR | Luxembrg | **24.89** | 32.70 | -7.39 | 2.36 |
| 2 | **Danske Invest BioTech+ K** | Sampo Rahastoyhtiö Oy | EUR | Finland | **29.01** | 30.23 | -0.01 | 1.26 |
| 4 | **Biogen Investigación FIP** | Popular Gestión Privada | EUR | Spain | **17.88** | 28.02 | -0.38 | 4.56 |
| 4 | **PBP Biogen FI** | Popular Gestión Privada | EUR | Spain | **15.72** | 25.55 | -1.61 | 2.92 |
| NS | **The Biotech Growth Trust PLC** | Frostrow Capital LLC | GBP | United Kingdom | **21.42** | 24.23 | -0.39 | 5.82 |
| NS | **Finsbury Worldwide Pharmaceutical** | Frostrow Capital LLC | GBP | United Kingdom | **16.86** | 22.68 | -1.50 | 4.90 |

**NOTE**: Changes in currency rates will affect performance and rankings.
**KEY**: * 2YR and 5YR performance is annualized
**NA**-not available due to incomplete data;
**NS**-fund not in existence for entire period

**Source**: Morningstar, Ltd
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| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | —%RETURN— YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
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| AHW Top-Div.Int. | GL | EQ | LUX | 11/17 | EUR | 55.60 | 21.3 | 14.5 | -28.6 |
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| Am Eq Blend A | OT | OT | LUX | 11/16 | USD | 10.42 | 26.9 | 31.2 | -14.7 |
| Am Eq Blend B | US | EQ | LUX | 11/16 | USD | 9.80 | 25.8 | 30.0 | -15.5 |
| Am Growth A | US | EQ | LUX | 11/16 | USD | 30.98 | 35.3 | 49.4 | -5.5 |
| Am Growth AX | US | EQ | LUX | 11/16 | USD | 33.41 | 35.9 | 50.2 | -5.0 |
| Am Growth B | US | EQ | LUX | 11/16 | USD | 26.08 | 34.1 | 47.8 | -6.4 |
| Am Growth C | US | EQ | LUX | 11/16 | USD | 28.04 | 34.7 | 48.7 | -5.9 |
| Am Growth I | US | EQ | LUX | 11/16 | USD | 34.30 | 36.2 | 50.6 | -4.8 |
| Am Income A | US | BD | LUX | 11/16 | USD | 8.44 | 24.0 | 31.5 | 5.4 |
| Am Income A2 | US | BD | LUX | 11/16 | USD | 18.93 | 24.4 | 31.5 | 5.4 |
| Am Income A2 | OT | OT | NA | 11/16 | HKD | 146.71 | NS | NS | NS |
| Am Income AT | OT | OT | NA | 11/16 | HKD | 65.41 | NS | NS | NS |
| Am Income AT | US | BD | LUX | 11/16 | USD | 8.44 | 24.3 | 31.5 | 5.4 |
| Am Income B | US | BD | LUX | 11/16 | USD | 8.44 | 23.1 | 30.4 | 4.6 |
| Am Income B2 | US | BD | LUX | 11/16 | USD | 16.33 | 23.6 | 30.5 | 4.7 |
| Am Income B2 | OT | OT | NA | 11/16 | HKD | 126.56 | NS | NS | NS |
| Am Income BT | OT | OT | NA | 11/16 | HKD | 65.80 | NS | NS | NS |
| Am Income BT | US | BD | LUX | 11/16 | USD | 8.49 | 23.7 | 30.6 | 4.7 |
| Am Income C | US | BD | LUX | 11/16 | USD | 8.44 | 23.4 | 30.8 | 4.9 |
| Am Income C2 | US | BD | LUX | 11/16 | USD | 24.28 | 23.9 | 30.9 | 4.9 |
| Am Income I | US | BD | LUX | 11/16 | USD | 8.44 | 24.6 | 32.3 | 6.1 |
| Am Value A | US | EQ | LUX | 11/16 | USD | 8.54 | 18.4 | 30.0 | -13.9 |
| Am Value B | US | EQ | LUX | 11/16 | USD | 7.87 | 17.3 | 28.8 | -14.8 |
| Am Value C | US | EQ | LUX | 11/16 | USD | 8.54 | 17.8 | 29.4 | -14.3 |
| Am Value I | US | EQ | LUX | 11/16 | USD | 9.18 | 19.2 | 31.1 | -13.3 |
| Asian Technology A | OT | OT | LUX | 11/16 | USD | 14.83 | 69.5 | 81.5 | -5.2 |
| Asian Technology B | OT | EQ | LUX | 11/16 | USD | 12.99 | 68.0 | 79.7 | -6.1 |
| Asian Technology I | OT | EQ | LUX | 11/16 | USD | 16.52 | 70.7 | 82.9 | -4.4 |
| Emg Mkts Debt A | GL | BD | LUX | 11/16 | USD | 15.61 | 43.2 | 56.3 | 7.8 |
| Emg Mkts Debt A2 | GL | BD | LUX | 11/16 | USD | 20.00 | 43.7 | 56.1 | 7.8 |
| Emg Mkts Debt AT | GL | BD | LUX | 11/16 | USD | 15.69 | 43.8 | 56.2 | 7.8 |
| Emg Mkts Debt B | GL | BD | LUX | 11/16 | USD | 15.61 | 42.0 | 54.9 | 6.7 |
| Emg Mkts Debt B2 | GL | BD | LUX | 11/16 | USD | 19.29 | 42.5 | 54.7 | 6.7 |
| Emg Mkts Debt BT | GL | BD | LUX | 11/16 | USD | 15.67 | 42.5 | 54.7 | 6.7 |
| Emg Mkts Debt C | GL | BD | LUX | 11/16 | USD | 15.61 | 42.7 | 55.7 | 7.3 |
| Emg Mkts Debt C2 | GL | BD | LUX | 11/16 | USD | 19.67 | 43.2 | 55.5 | 7.3 |
| Emg Mkts Debt I | GL | BD | LUX | 11/16 | USD | 15.61 | 43.8 | 57.1 | 8.4 |
| Emg Mkts Growth A | GL | EQ | LUX | 11/16 | USD | 34.12 | 70.3 | 77.1 | -14.7 |
| Emg Mkts Growth B | GL | EQ | LUX | 11/16 | USD | 28.95 | 68.8 | 75.2 | -15.5 |
| Emg Mkts Growth C | GL | EQ | LUX | 11/16 | USD | 29.59 | 69.6 | 76.2 | -15.0 |
| Emg Mkts Growth I | GL | EQ | LUX | 11/16 | USD | 37.79 | 71.5 | 78.5 | -14.0 |
| Eur Growth A | OT | OT | LUX | 11/16 | USD | 10.52 | 26.2 | 22.3 | -18.3 |
| Eur Growth A | OT | OT | LUX | 11/16 | EUR | 7.03 | 26.2 | 22.3 | -18.3 |
| Eur Growth B | OT | OT | LUX | 11/16 | EUR | 6.33 | 25.1 | 21.0 | -19.1 |
| Eur Growth B | OT | OT | LUX | 11/16 | USD | 9.47 | 25.1 | 21.0 | -19.1 |
| Eur Growth C | EU | EQ | LUX | 11/16 | EUR | 5.33 | 25.7 | 21.7 | -18.7 |
| Eur Growth I | OT | OT | LUX | 11/16 | USD | 11.46 | 27.0 | 23.2 | -17.7 |
| Eur Growth I | OT | OT | LUX | 11/16 | EUR | 7.66 | 27.0 | 23.2 | -17.7 |
| Eur Income A | OT | OT | LUX | 11/16 | EUR | 6.62 | 38.5 | 31.2 | 3.2 |
| Eur Income A | OT | OT | LUX | 11/16 | USD | 9.91 | 38.5 | 31.2 | 3.2 |
| Eur Income A2 | OT | OT | LUX | 11/16 | EUR | 12.81 | 39.1 | 31.4 | 3.2 |
| Eur Income A2 | OT | OT | LUX | 11/16 | USD | 19.17 | 39.1 | 31.4 | 3.2 |
| Eur Income AT | EU | BD | LUX | 11/16 | EUR | 6.63 | 39.1 | 31.4 | 3.3 |
| Eur Income B | OT | OT | LUX | 11/16 | EUR | 6.62 | 37.8 | 30.3 | 2.4 |
| Eur Income B | OT | OT | LUX | 11/16 | USD | 9.91 | 37.8 | 30.3 | 2.4 |
| Eur Income B2 | OT | OT | LUX | 11/16 | EUR | 11.92 | 38.1 | 30.3 | 2.4 |
| Eur Income B2 | OT | OT | LUX | 11/16 | USD | 17.84 | 38.1 | 30.3 | 2.4 |
| Eur Income BT | EU | BD | LUX | 11/16 | EUR | 6.63 | 38.3 | 30.5 | 2.5 |
| Eur Income C | OT | OT | LUX | 11/16 | EUR | 6.62 | 38.1 | 30.6 | 2.7 |
| Eur Income C | OT | OT | LUX | 11/16 | USD | 9.91 | 38.1 | 30.6 | 2.7 |
| Eur Income C2 | OT | OT | LUX | 11/16 | EUR | 12.77 | 38.5 | 30.7 | 2.7 |
| Eur Income C2 | OT | OT | LUX | 11/16 | USD | 19.11 | 38.5 | 30.7 | 2.7 |
| Eur Income I | OT | OT | LUX | 11/16 | EUR | 6.62 | 39.1 | 31.9 | 3.7 |
| Eur Income I | OT | OT | LUX | 11/16 | USD | 9.91 | 39.1 | 31.9 | 3.7 |
| Eur Strat Value A | OT | OT | LUX | 11/16 | EUR | 8.48 | 21.8 | 20.6 | -22.0 |
| Eur Strat Value A | OT | OT | LUX | 11/16 | USD | 12.69 | 21.8 | 20.6 | -22.0 |
| Eur Strat Value I | OT | OT | LUX | 11/16 | EUR | 8.67 | 22.6 | 21.6 | -21.3 |
| Eur Strat Value I | OT | OT | LUX | 11/16 | USD | 12.98 | 22.6 | 21.6 | -21.3 |
| Eur Value A | OT | OT | LUX | 11/16 | USD | 13.66 | 25.4 | 25.1 | -19.2 |
| Eur Value A | OT | OT | LUX | 11/16 | EUR | 9.13 | 25.4 | 25.1 | -19.2 |
| Eur Value B | OT | OT | LUX | 11/16 | EUR | 8.41 | 24.2 | 23.7 | -20.0 |
| Eur Value B | OT | OT | LUX | 11/16 | USD | 12.59 | 24.2 | 23.7 | -20.0 |
| Eur Value C | OT | OT | LUX | 11/16 | USD | 13.22 | 24.7 | 24.4 | -19.5 |
| Eur Value C | OT | OT | LUX | 11/16 | EUR | 8.83 | 24.7 | 24.4 | -19.5 |
| Eur Value I | OT | OT | LUX | 11/16 | USD | 15.76 | 26.1 | 26.0 | -18.5 |
| Eur Value I | OT | OT | LUX | 11/16 | EUR | 10.53 | 26.1 | 26.0 | -18.5 |
| Gl Balanced (Euro) A | OT | OT | LUX | 11/11 | USD | 16.85 | 19.8 | 21.0 | -11.6 |
| Gl Balanced (Euro) B | OT | OT | LUX | 11/16 | USD | 16.58 | 18.8 | 19.8 | -12.5 |
| Gl Balanced (Euro) C | OT | OT | LUX | 11/16 | USD | 16.88 | 19.6 | 20.8 | -11.8 |
| Gl Balanced (Euro) I | OT | OT | LUX | 11/16 | USD | 17.30 | NS | NS | NS |
| Gl Balanced A | US | BA | LUX | 11/16 | USD | 16.61 | 25.0 | 30.4 | -10.4 |
| Gl Balanced B | US | BA | LUX | 11/16 | USD | 15.81 | 23.9 | 29.1 | -11.4 |
| Gl Balanced C | OT | OT | LUX | 11/16 | USD | 16.37 | 24.7 | 29.9 | -10.7 |
| Gl Balanced C | OT | OT | LUX | 11/16 | EUR | 10.94 | 24.7 | 29.9 | -10.7 |
| Gl Balanced I | US | BA | LUX | 11/16 | USD | 17.21 | 25.7 | 31.3 | -9.8 |
| Gl Bond A | US | BD | LUX | 11/16 | USD | 9.32 | 12.9 | 17.5 | 4.7 |
| Gl Bond A2 | US | BD | LUX | 11/16 | USD | 16.06 | 13.0 | 17.5 | 4.6 |
| Gl Bond A2 | OT | OT | NA | 11/16 | HKD | 124.47 | 13.0 | 17.5 | 4.6 |
| Gl Bond AT | OT | OT | LUX | 11/16 | HKD | 72.23 | 13.1 | 17.5 | 4.7 |
| Gl Bond AT | US | BD | LUX | 11/16 | USD | 9.32 | 13.1 | 17.5 | 4.7 |
| Gl Bond B | US | BD | LUX | 11/16 | USD | 9.32 | 11.9 | 16.3 | 3.6 |
| Gl Bond B2 | US | BD | LUX | 11/16 | USD | 14.08 | 12.0 | 16.3 | 3.6 |
| Gl Bond B2 | OT | OT | NA | 11/16 | HKD | 109.12 | 12.0 | 16.3 | 3.6 |
| Gl Bond BT | OT | OT | LUX | 11/16 | HKD | 72.46 | 12.0 | 16.3 | 3.6 |
| Gl Bond BT | US | BD | LUX | 11/16 | USD | 9.35 | 12.0 | 16.3 | 3.6 |
| Gl Bond C | US | BD | LUX | 11/16 | USD | 9.32 | 12.4 | 16.9 | 4.2 |
| Gl Bond C2 | US | BD | LUX | 11/16 | USD | 13.94 | 12.5 | 16.8 | 4.1 |
| Gl Bond I | US | BD | LUX | 11/16 | USD | 9.32 | 13.4 | 18.1 | 5.3 |
| Gl Conservative A | US | BA | LUX | 11/16 | USD | 15.03 | 16.6 | 20.1 | -3.9 |
| Gl Conservative A2 | US | BA | LUX | 11/16 | USD | 17.01 | 16.7 | 20.2 | -3.9 |
| Gl Conservative B | US | BA | LUX | 11/16 | USD | 15.00 | 15.6 | 19.0 | -4.8 |
| Gl Conservative B2 | US | BA | LUX | 11/16 | USD | 16.18 | 15.7 | 19.0 | -4.8 |
| Gl Conservative C | US | BA | LUX | 11/16 | USD | 15.01 | 16.2 | 19.6 | -4.3 |
| Gl Conservative C2 | US | BA | LUX | 11/16 | USD | 16.64 | 16.2 | 19.6 | -4.3 |
| Gl Conservative I | US | BA | LUX | 11/16 | USD | 15.10 | 17.5 | 21.2 | -3.1 |
| Gl Eq Blend A | GL | EQ | LUX | 11/16 | USD | 11.79 | 31.9 | 37.9 | -20.8 |
| Gl Eq Blend B | GL | EQ | LUX | 11/16 | USD | 11.08 | 30.8 | 36.6 | -21.6 |
| Gl Eq Blend C | GL | EQ | LUX | 11/16 | USD | 11.58 | 31.3 | 37.2 | -21.2 |
| Gl Eq Blend I | GL | EQ | LUX | 11/16 | USD | 12.42 | 32.8 | 38.9 | -20.2 |
| Gl Growth A | GL | EQ | LUX | 11/16 | USD | 42.16 | 30.7 | 34.7 | -21.7 |
| Gl Growth B | GL | EQ | LUX | 11/16 | USD | 35.24 | 29.6 | 33.4 | -22.5 |
| Gl Growth C | GL | EQ | LUX | 11/16 | USD | 40.48 | 30.2 | 34.1 | -22.1 |
| Gl Growth I | GL | EQ | LUX | 11/16 | USD | 46.77 | 31.7 | 35.8 | -21.1 |
| Gl High Yield A | US | BD | LUX | 11/16 | USD | 4.26 | 55.9 | 55.9 | 3.0 |
| Gl High Yield A2 | US | BD | LUX | 11/16 | USD | 9.02 | 56.6 | 55.5 | 2.9 |
| Gl High Yield A2 | OT | OT | NA | 11/16 | HKD | 69.91 | 56.6 | 55.5 | 2.9 |
| Gl High Yield AT | OT | OT | NA | 11/16 | HKD | 32.78 | 56.9 | 55.8 | 2.9 |
| Gl High Yield AT | US | BD | LUX | 11/16 | USD | 4.23 | 56.9 | 55.8 | 2.9 |
| Gl High Yield B | US | BD | LUX | 11/16 | USD | 4.26 | 54.2 | 53.8 | 1.7 |
| Gl High Yield B2 | US | BD | LUX | 11/16 | USD | 14.53 | 55.4 | 54.2 | 1.9 |
| Gl High Yield B2 | OT | OT | NA | 11/16 | HKD | 112.61 | 55.4 | 54.2 | 1.9 |
| Gl High Yield BT | OT | OT | NA | 11/16 | HKD | 33.33 | 55.0 | 54.1 | 1.8 |
| Gl High Yield BT | US | BD | LUX | 11/16 | USD | 4.30 | 55.0 | 54.1 | 1.8 |
| Gl High Yield C | US | BD | LUX | 11/16 | USD | 4.26 | 55.1 | 54.9 | 2.4 |
| Gl High Yield C2 | US | BD | LUX | 11/16 | USD | 13.38 | 56.1 | 54.9 | 2.4 |
| Gl High Yield I | US | BD | LUX | 11/16 | USD | 4.26 | 56.8 | 57.0 | 3.6 |
| Gl Value A | GL | EQ | LUX | 11/16 | USD | 11.31 | 33.2 | 41.2 | -19.9 |
| Gl Value B | GL | EQ | LUX | 11/16 | USD | 10.40 | 32.0 | 39.8 | -20.8 |
| Gl Value C | GL | EQ | LUX | 11/16 | USD | 10.99 | 32.6 | 40.5 | -20.3 |
| Gl Value I | GL | EQ | LUX | 11/16 | USD | 12.01 | 34.0 | 42.1 | -19.3 |
| Greater China A | AS | EQ | LUX | 11/16 | USD | 40.83 | 59.2 | 74.4 | -16.1 |
| Greater China B | AS | EQ | LUX | 11/16 | USD | 36.18 | 57.8 | 72.6 | -16.9 |
| Greater China C | AS | EQ | LUX | 11/16 | USD | 40.34 | 58.6 | 73.6 | -16.5 |
| India Growth A | OT | OT | LUX | 11/16 | USD | 123.78 | NS | NS | NS |
| India Growth AX | OT | OT | LUX | 11/16 | USD | 108.16 | 87.2 | 98.8 | -10.2 |
| India Growth B | OT | OT | LUX | 11/16 | USD | 129.83 | NS | NS | NS |
| India Growth BX | OT | OT | LUX | 11/16 | USD | 92.57 | 85.6 | 96.9 | -11.1 |
| India Growth I | EA | EQ | LUX | 11/16 | USD | 112.02 | 87.9 | 99.6 | -9.9 |
| Int'l Health Care A | OT | EQ | LUX | 11/16 | USD | 133.11 | 13.4 | 14.2 | -10.2 |
| Int'l Health Care B | OT | EQ | LUX | 11/16 | USD | 112.42 | 12.4 | 13.1 | -11.1 |
| Int'l Health Care C | OT | EQ | LUX | 11/16 | USD | 127.64 | 12.9 | 13.7 | -10.6 |
| Int'l Health Care I | OT | EQ | LUX | 11/16 | USD | 145.29 | 14.2 | 15.2 | -9.5 |
| Int'l Technology A | OT | EQ | LUX | 11/16 | USD | 106.02 | 44.9 | 52.3 | -12.7 |
| Int'l Technology B | OT | EQ | LUX | 11/16 | USD | 91.98 | 43.7 | 50.8 | -13.6 |
| Int'l Technology C | OT | EQ | LUX | 11/16 | USD | 102.51 | 44.4 | 51.6 | -13.1 |
| Int'l Technology I | OT | EQ | LUX | 11/16 | USD | 118.75 | 45.9 | 53.5 | -12.0 |
| Japan Eq Blend A | JP | EQ | LUX | 11/16 | JPY | 5614.00 | 4.6 | 8.8 | -25.7 |
| Japan Eq Blend B | JP | EQ | LUX | 11/16 | JPY | 5424.00 | 3.7 | 7.7 | -26.4 |
| Japan Eq Blend C | JP | EQ | LUX | 11/16 | JPY | 5528.00 | 4.2 | 8.3 | -26.0 |
| Japan Growth A | JP | EQ | LUX | 11/16 | JPY | 5531.00 | -0.6 | 1.9 | -26.0 |
| Japan Growth B | JP | EQ | LUX | 11/16 | JPY | 5343.00 | -1.4 | 0.9 | -26.8 |
| Japan Growth C | JP | EQ | LUX | 11/16 | JPY | 5446.00 | -1.0 | 1.5 | -26.4 |
| Japan Strat Value A | JP | EQ | LUX | 11/16 | JPY | 5671.00 | 10.0 | 15.8 | -25.6 |
| Japan Strat Value B | JP | EQ | LUX | 11/16 | JPY | 5484.00 | 9.0 | 14.6 | -26.3 |
| Japan Strat Value C | JP | EQ | LUX | 11/16 | JPY | 5580.00 | 9.5 | 15.3 | -25.9 |
| Real Estate Sec. A | OT | EQ | LUX | 11/16 | USD | 14.28 | 33.8 | 51.3 | -16.8 |
| Real Estate Sec. B | OT | EQ | LUX | 11/16 | USD | 13.07 | 32.7 | 49.7 | -17.7 |
| Real Estate Sec. I | OT | EQ | LUX | 11/16 | USD | 15.33 | 34.7 | 52.4 | -16.2 |
| Short Mat Dollar A | US | BD | LUX | 11/16 | USD | 7.23 | 10.5 | 6.9 | -6.9 |
| Short Mat Dollar A2 | US | BD | LUX | 11/16 | USD | 9.70 | 10.7 | 6.8 | -7.0 |
| Short Mat Dollar AT | US | BD | LUX | 11/16 | USD | 7.23 | 10.8 | 6.9 | -7.0 |
| Short Mat Dollar B | US | BD | LUX | 11/16 | USD | 7.23 | 10.1 | 6.4 | -7.4 |
| Short Mat Dollar B2 | US | BD | LUX | 11/16 | USD | 9.66 | 10.3 | 6.4 | -7.4 |
| Short Mat Dollar BT | OT | OT | LUX | 11/16 | USD | 7.24 | 9.5 | 5.7 | -7.7 |
| Short Mat Dollar C | US | BD | LUX | 11/16 | USD | 7.23 | 10.1 | 6.4 | -7.4 |
| Short Mat Dollar C2 | US | BD | LUX | 11/16 | USD | 13.66 | 10.3 | 6.5 | -7.3 |
| Short Mat Dollar I | US | BD | LUX | 11/16 | USD | 7.23 | 11.0 | 7.5 | -6.4 |

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| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | —%RETURN— YTD | 12-MO | 2-YR |
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| **■ ALEXANDRA INVESTMENT MANAGEMENT** | | | | | | | | | |
| *Tel: +1 212 301 1800 Fax: +1 212 301 1810* | | | | | | | | | |
| Alexandra Convertible Bond Fund I, Ltd. (Class A) | OT | OT | VGB | 10/30 | USD | 1642.69 | 69.6 | 71.6 | NS |
| **■ CREDIT PACIFIC ASSET MANAGMENT** | | | | | | | | | |
| *www.creditpacific.com* | | | | | | | | | |
| CPS-Master Priv Fund | GL | OT | WSM | 11/16 | USD | 117.45 | 17.8 | 17.4 | 7.6 |
| **PLATINUM CAPITAL MANAGEMENT** | | | | | | | | | |
| **■ PLATINUM CAPITAL MANAGEMENT** | | | | | | | | | |
| *Tel: +44 207 024 9840, www.platinumfunds.net* | | | | | | | | | |
| Platinm-All Star | OT | OT | CYM | 09/30 | USD | 94.24 | 12.2 | -6.9 | -12.2 |
| Platinm-All Weather | OT | OT | USA | 10/31 | USD | 129.92 | 2.4 | 3.2 | 3.8 |
| Platinm-Dynasty | OT | OT | USA | 08/31 | USD | 105.38 | 2.5 | -9.3 | -26.1 |
| Platinm-Emancipation | OT | OT | USA | 09/30 | USD | 96.83 | 29.4 | 0.4 | -7.7 |
| Platinm-Equity Plus | OT | OT | USA | 05/29 | USD | 35.02 | -18.2 | -63.7 | -45.6 |
| Platinm-Gbl Dividend | OT | OT | CYM | 09/30 | USD | 59.71 | 27.4 | -18.1 | -32.3 |
| Platinm-Nordic | OT | OT | CYM | 09/30 | SEK | 591.49 | 8.4 | -6.2 | -19.0 |
| Platinm-Premier | OT | OT | CYM | 12/31 | USD | 21.20 | -55.9 | -66.0 | -44.3 |
| Platinm-Turnberry | OT | OT | USA | 09/30 | USD | 55.93 | NS | 8.3 | -39.0 |

| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | —%RETURN— YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| **SUPERFUND** | | | | | | | | | |
| **■ SUPERFUND ASSET MANAGEMENT GMBH** | | | | | | | | | |
| *For info about open funds, contact info@superfund.com and www.superfund.com* | | | | | | | | | |
| **Closed for New Investments* | | | | | | | | | |
| Superfund Cayman* | OT | OT | CYM | 11/10 | USD | 44.95 | -46.0 | -39.3 | -7.7 |
| Superfund GCT USD* | GL | EQ | LUX | 11/10 | USD | 2363.00 | -35.3 | -31.8 | -4.6 |
| Superfund Green Gold A (SPC) | OT | OT | CYM | 11/10 | USD | 1030.45 | -11.4 | 6.0 | 7.2 |
| Superfund Green Gold B (SPC) | OT | OT | CYM | 11/10 | USD | 1026.40 | -23.8 | -6.7 | 2.7 |
| Superfund Q-AG* | OT | OT | AUT | 11/10 | EUR | 6792.00 | -22.5 | -19.1 | 0.0 |
| **■ WINTON CAPITAL MANAGEMENT LTD** | | | | | | | | | |
| *Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301* | | | | | | | | | |
| Winton Evolution EUR Cls H | OT | OT | CYM | 10/30 | EUR | 939.64 | NS | NS | NS |
| Winton Evolution GBP Cls G | OT | OT | CYM | 10/30 | GBP | 943.02 | NS | NS | NS |
| Winton Evolution USD Cls F | OT | OT | CYM | 10/30 | USD | 1189.62 | -6.2 | -1.5 | 3.1 |
| Winton Futures EUR Cls C | OT | OT | VGB | 10/30 | EUR | 192.39 | -6.5 | 0.0 | 7.8 |
| Winton Futures GBP Cls D | OT | OT | VGB | 10/30 | GBP | 207.72 | -6.4 | 0.6 | 8.9 |
| Winton Futures JPY Cls E | OT | OT | VGB | 10/30 | JPY | 13589.60 | -7.9 | -1.6 | 4.9 |
| Winton Futures USD Cls B | OT | OT | VGB | 10/30 | USD | 682.02 | -7.0 | -0.3 | 7.5 |
| **Allianz Global Investors** | | | | | | | | | |
| **■ ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT** | | | | | | | | | |
| Concentra AE | EU | EQ | DEU | 11/17 | EUR | 50.66 | 29.7 | 35.5 | -11.3 |

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com or Peter Jennings, tel: +44-20-7842-9674; email: peter.jennings@dowjones.com

MARKETS

# U.S. stocks hit by Home Depot

*Banks, autos halt Europe's advance*

*A Wall Street Journal Roundup*

U.S. stocks were trading slightly lower Tuesday, as a disappointing fourth-quarter earnings view from **Home Depot** and weaker-than-expected U.S. industrial production numbers had investors again questioning the strength of the economy's recovery.

The declines were held in check by an unexpected drop in U.S. core wholesale prices, which gives the Federal Reserve more ammunition to keep interest rates close to zero.

**ABREAST OF THE MARKET**

Late morning in New York, the **Dow Jones** Industrial Average was off 28.26 points, or 0.3% at 10378.70, retreating from the high for the year it hit on Monday.

Home Depot was down 3.8%. Although the home-improvement retailer posted a smaller-than-expected decline in fiscal third-quarter profit, its outlook for the fourth quarter came in below analysts' forecasts.

The Nasdaq Composite Index slid 0.4% to 2189.05. The Standard & Poor's 500 stock index was down 0.5% at 1103.96, led by its consumer-discretionary and materials sectors.

Late morning, crude-oil prices were down 20 cents to $78.80 on the New York Mercantile Exchange.

**Ford Motor** hit a two-year high after the auto maker got a vote of confidence from billionaire investor George Soros, whose Soros Fund Management reported a new $53 million stake in the company. Ford was recently up 2.2%.

**Pacific Sunwear of California** plunged 29% after reporting a wider fiscal third-quarter loss as the teen retailer again suffered slumping sales, particularly toward the end of the quarter. The company also warned of a much wider loss in the current quarter than Wall Street had been expecting.

## European Markets

Stocks ended a four-session winning streak as auto makers pared gains and banks were pressured over concerns about capital levels.

After touching a 13-month high on Monday, the pan-European Dow Jones Stoxx 600 index fell 0.4% to 250.36. The U.K. FTSE 100 index shed 0.7% to 5345.93, the German DAX index fell 0.5% to 5778.43 and the French CAC-40 index slipped 0.9% to 3829.06.

**HSBC Holdings** fell 2.1%, **Barclays** fell 2.8%, **Société Générale** shed 3.1% and **UBS** erased early gains to end down 3.5%.

**BMW** dropped 2.1%.

# Dollar gains as appetite for risk wanes

By Deborah Levine

The U.S. dollar gained ground versus the euro and other currencies as equity markets weakened around the world, signaling a retreat in appetite for risk among investors.

The action reverses a plunge by the dollar following a speech from Federal Reserve Chairman Ben Bernanke that prompted a big rally in riskier assets.

**CURRENCY MARKETS**

Late morning in New York, the euro had weakened to $1.4833 from $1.4973 late Monday. The dollar strengthened to 89.44 yen from 89.12 yen. The euro weakened to 132.66 yen from 133.44 yen. The dollar moved to 1.0190 Swiss francs from 1.0075 francs. The pound weakened to $1.6776 from $1.6833.

The dollar took little notice from a mix of data showing lower inflation pressures from wholesalers, smaller gains in factory output and an improvement in foreign capital inflows to the U.S.

Meanwhile, European Central Bank President Jean-Claude Trichet, in an interview with French newspaper Le Monde published on Tuesday, welcomed Mr. Bernanke's remarks and said the euro was never intended to be a reserve currency.

Mr. Trichet has repeatedly endorsed remarks by U.S. officials in favor of a stronger dollar.

# Finance firms, exporters lead losses across region

By Rosalind Mathieson And Wei-Zhe Tan

Most Asian share markets ended slightly lower Tuesday, despite a strong performance on Wall Street, as financial stocks lost ground and fatigue set in after recent gains.

Concern that Japanese banks' efforts to raise capital could dilute the holdings of existing shareholders pulled Japanese banking shares lower, while Chinese financial stocks dragged on the Hong Kong market. The continuing decline in the U.S. dollar and resultant strength in Asian currencies hurt exporters' stocks.

**ASIAN-PACIFIC STOCKS**

"Most exporters may underperform the market," said Yukio Takahashi, a market analyst at Mizuho Securities in Tokyo. But "as long as U.S. interest rates remain at current low levels, liquidity and dollar selling will continue to support commodity markets."

Japan's Nikkei Stock Average of 225 companies finished 0.6% lower at 9729.93, Australia's S&P/ASX 200 dropped 0.5%, South Korea's Kospi lost 0.4% and Taiwan's Taiex closed 0.8% lower.

Singapore's Straits Times Index dropped 0.7% and India's Sensex ended 0.1% higher.

In Hong Kong, the Hang Seng Index touched the 23000-point level in the session's opening minutes, but proved unable to break through, closing 0.1% lower. China's Shanghai Composite edged 0.2% higher.

In Tokyo, shares of **Mizuho Financial Group** gave up 1.2%, **Sumitomo Mitsui Financial Group** shed 0.7% and **Shinsei Bank** lost 2.6%, following news that **Mitsubishi UFJ Financial Group** was considering a one trillion yen ($11 billion) share issue. MUFG rose 1.5%, retracing losses after sliding 5.5% Monday.

Exporters **Nikon** and **Nissan Motor** fell 1.1% and 0.9%, respectively.

Shares of **Canon** rose 3%, however, on news it would buy Dutch printer maker **Oce** NV for €730 million ($1.1 billion) in cash in an effort to grow amid shaky prospects for corporate spending.

Taiwanese financial stocks fell despite news that Taiwan and China had signed long-awaited agreements late on Monday that will help open their financial industries to each other's companies.

IBT Securities analyst Regina Lee said profit-taking likely hurt the financial sector, but "the long-term strength of financial shares remains." **Yuanta Financial** was down 2.8% and **Mega Financial** slipped 3.7%.

Sellers were also active in Australian banks. **Westpac Banking** fell 2.3% and **Australia & New Zealand Banking Group** gave up 1.3%.

"We're seeing a continuation of yesterday's theme—a switch out of the banks into the resources," said Chris Blair, head of retail broking at Patersons in Sydney.


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| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| Industria AE | EU | EQ | DEU | 11/17 | EUR | 70.02 | 33.3 | 26.6 | -17.2 |
| InternRent AE | EU | BD | DEU | 11/13 | EUR | 35.88 | 2.3 | -1.3 | 8.3 |

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| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| CAM-GTF Limited | AS | EQ | MUS | 11/13 | USD | 242039.82 | 79.4 | 82.2 | -5.4 |

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| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| GAM Arbitrage Op | OT | OT | VGB | 11/06 | USD | 1244.26 | 22.8 | 3.9 | -9.8 |
| GAM Asia Eq Hdg JPY Op | GL | EQ | VGB | 11/09 | JPY | 14431.32 | 53.9 | 56.9 | NS |
| GAM Asia Equity Hedge US | OT | OT | VGB | 11/09 | USD | 272.34 | 56.0 | 59.4 | -4.0 |
| GAM Asia Equity USD | OT | OT | VGB | 11/16 | USD | 642.50 | 60.0 | 75.6 | -15.1 |
| GAM Asia-Pacific Eq USD | OT | OT | VGB | 11/10 | USD | 1259.42 | 17.2 | 13.2 | -17.7 |
| GAM Com Glb Bal EUR Op | US | BA | VGB | 11/09 | EUR | 91.90 | 14.5 | 12.3 | -10.8 |
| GAM Com Glb Bal USD Op | US | BA | VGB | 11/09 | USD | 127.03 | 14.5 | 12.3 | -10.8 |
| GAM Comp Glb Eq EUR Op | GL | EQ | VGB | 11/09 | EUR | 93.03 | 20.5 | 15.0 | -18.4 |
| GAM Comp Glb Eq USD Op | GL | EQ | VGB | 11/09 | USD | 125.87 | 20.5 | 15.0 | -18.4 |
| GAM Comp Glb Gr EUR Op | US | BA | VGB | 11/09 | EUR | 82.22 | 14.5 | 11.0 | -15.3 |
| GAM Comp Glb Gr USD Op | US | BA | VGB | 11/09 | USD | 125.83 | 14.5 | 11.0 | -15.3 |
| GAM CompAbsRT EUR Op | OT | OT | VGB | 09/30 | EUR | 141.71 | 9.1 | 0.1 | -6.9 |
| GAM CompAbsRT SGD Op | OT | OT | VGB | 09/30 | SGD | 102.21 | 9.2 | -0.1 | -8.3 |
| GAM CompAbsRT USD Op | OT | OT | VGB | 09/30 | USD | 845.66 | 9.5 | 0.7 | -7.0 |
| GAM Cptal Apprec Eq Inc | US | EQ | VGB | 11/13 | USD | 243.20 | 33.5 | 33.9 | -13.1 |
| GAM Cross Trading Inc | OT | OT | VGB | 11/09 | USD | 466.94 | 6.7 | 8.7 | NS |
| GAM Diversity CHF Op | OT | OT | VGB | 11/09 | CHF | 94.23 | 4.1 | 1.0 | -7.7 |
| GAM Diversity EUR Op | OT | OT | VGB | 11/09 | EUR | 647.61 | 4.9 | 2.1 | -6.1 |
| GAM Diversity USD 2.5XL | OT | OT | VGB | 10/30 | USD | 76.73 | 6.4 | -2.6 | -22.6 |
| GAM Diversity USD Op | OT | OT | VGB | 11/09 | USD | 680.17 | 4.9 | 1.8 | NS |
| GAM Dvrsty II CHF Op | OT | OT | VGB | 11/09 | CHF | 99.51 | 4.0 | 0.7 | NS |
| GAM Dvrsty II EUR Op | OT | OT | VGB | 11/09 | EUR | 138.69 | 4.5 | 1.3 | -6.2 |
| GAM Dvrsty II USD Op | OT | OT | VGB | 11/09 | USD | 210.15 | 4.6 | 1.3 | -6.4 |
| GAM DvrstyIII EUR Op | OT | OT | VGB | 10/30 | EUR | 114.70 | 3.8 | 0.5 | -6.8 |
| GAM DvrstyIII USD Op | OT | OT | VGB | 10/30 | USD | 121.09 | 3.8 | 0.4 | -6.9 |
| GAM Euro Eq Hdg EUR Op | EU | EQ | VGB | 11/09 | EUR | 212.47 | 7.7 | 3.5 | -7.3 |
| GAM Euro Eq Hdg USD Op | OT | OT | VGB | 11/09 | USD | 197.77 | 8.6 | 5.3 | -5.7 |
| GAM European Equity USD | OT | OT | VGB | 11/13 | USD | 304.78 | 29.6 | 39.4 | -13.2 |
| GAM GAMCO | OT | EQ | VGB | 11/10 | USD | 793.61 | 36.8 | 24.0 | -14.4 |
| GAM Gb EmMkts Hdg EUROp | OT | OT | VGB | 10/30 | EUR | 97.64 | 13.2 | 7.3 | -17.5 |
| GAM Gb EmMkts Hdg USDOp | OT | OT | VGB | 11/09 | USD | 104.63 | 15.6 | 9.6 | -15.6 |
| GAM Gbl Divers USD Inc. | GL | EQ | VGB | 11/09 | USD | 249.29 | 22.1 | 24.4 | -10.8 |
| GAM Grtr China Eq Hdg Op | GL | EQ | VGB | 10/30 | USD | 261.34 | 83.0 | 103.9 | 5.6 |
| GAM Intrst Trend II | GL | BD | VGB | 11/09 | USD | 96.00 | 45.3 | 42.9 | -13.1 |
| GAM Intrst Trend Inc | OT | OT | VGB | 11/09 | USD | 252.35 | 58.4 | 60.0 | -10.7 |
| GAM Japan Eq Hdg EUR Op | AS | EQ | VGB | 11/09 | EUR | 114.98 | 7.7 | 3.2 | -11.1 |
| GAM Japan Eq Hdg USD Op | OT | OT | VGB | 11/09 | USD | 120.60 | 7.2 | 4.1 | NS |
| GAM Japan Eq Hdg YEN Open | AS | EQ | VGB | 10/30 | JPY | 8507.22 | 10.3 | 7.0 | -22.3 |
| GAM Japan USD | JP | EQ | VGB | 11/16 | USD | 1063.00 | 2.7 | 11.7 | -17.2 |
| GAM Japan YEN | JP | EQ | VGB | 11/16 | JPY | 8346.65 | 4.2 | 7.1 | -24.2 |
| GAM Money Mkt EuroOp | EU | MM | VGB | 11/13 | EUR | 51.20 | 0.1 | 0.3 | 1.9 |
| GAM Money Mkt USD | US | MM | VGB | 11/13 | USD | 100.03 | 0.0 | 0.0 | 1.1 |
| GAM Multi-Arb EUR Op | OT | OT | VGB | 11/09 | EUR | 113.28 | 1.1 | -4.2 | -9.1 |
| GAM Multi-Arb USD Op | OT | OT | VGB | 10/30 | USD | 118.02 | 1.1 | -4.5 | -9.4 |
| GAM Multi-China EUR Op | OT | OT | VGB | 10/30 | EUR | 159.17 | 7.2 | 8.0 | -15.9 |
| GAM Multi-China USD Op | OT | OT | VGB | 10/30 | USD | 167.40 | 7.8 | 8.4 | 4.1 |
| GAM Multi-Emer Mkts GBP | OT | OT | VGB | 10/30 | GBP | 127.90 | 22.3 | 18.7 | -4.8 |
| GAM Multi-Emer Mkts USD | OT | OT | VGB | 11/09 | USD | 638.45 | 23.2 | 19.5 | -4.3 |
| GAM Multi-Eur EUR Op | OT | OT | VGB | 10/30 | EUR | 265.40 | 5.7 | 5.2 | -12.9 |
| GAM Multi-Eur II EUR Op | OT | OT | VGB | 11/09 | EUR | 138.00 | 6.8 | 6.3 | -12.0 |
| GAM Multi-Eur II USD Op | OT | OT | VGB | 11/09 | USD | 112.91 | 6.5 | 5.6 | -13.0 |
| GAM Multi-Eur USD Op | OT | OT | VGB | 10/30 | USD | 462.12 | 5.5 | 4.6 | -13.9 |
| GAM Multi-Nth Am EUR Special | OT | OT | VGB | 11/09 | EUR | 133.09 | 11.7 | 9.7 | NS |
| GAM Multi-Nth Am USD Special | OT | OT | VGB | 11/09 | USD | 216.84 | 12.1 | 10.7 | NS |
| GAM Multi-Pac EUR Op | GL | EQ | VGB | 10/30 | EUR | 140.15 | 2.8 | 2.6 | -6.7 |
| GAM Multi-Pac USD Op | OT | OT | VGB | 11/09 | USD | 163.12 | 3.8 | 3.6 | -6.4 |
| GAM Portable Dvr/S&P500 | OT | OT | VGB | 08/24 | USD | 70.11 | 17.7 | -27.7 | -22.9 |
| GAM Selection Hdg | US | EQ | VGB | 11/06 | USD | 2499.87 | 60.7 | 53.3 | 6.4 |
| GAM Sing/Malaysia | AS | EQ | VGB | 11/16 | USD | 2487.91 | 49.8 | 51.6 | -11.6 |
| GAM Sterling Spe Bd Inc | OT | OT | VGB | 11/09 | GBP | 238.87 | 38.3 | 38.0 | 0.9 |
| GAM Trading EUR Inc | OT | OT | VGB | 11/09 | EUR | 325.84 | 6.6 | 8.8 | 7.4 |
| GAM Trading USD Inc | OT | OT | VGB | 11/09 | USD | 975.18 | 6.8 | 8.7 | 6.9 |
| GAM Trdg II IncEUR Op | OT | OT | VGB | 11/09 | EUR | 139.39 | 6.5 | 8.7 | 7.3 |
| GAM Trdg II IncUSD Op | OT | OT | VGB | 11/09 | USD | 316.64 | 6.8 | 8.7 | 6.9 |
| GAM Trdg IV IncEUR Op | OT | OT | VGB | 11/09 | EUR | 147.11 | 6.3 | 8.5 | 7.1 |
| GAM Trdg IV IncUSD Op | OT | OT | VGB | 11/09 | USD | 154.86 | 6.5 | 8.5 | 6.8 |
| GAM Trdg V IncEUR Op | OT | OT | VGB | 10/30 | EUR | 124.10 | 5.8 | 7.8 | 6.7 |
| GAM Trdg V IncUSD Op | OT | OT | VGB | 10/30 | USD | 129.23 | 5.9 | 7.8 | 6.3 |
| GAM TrdgIII IncEUR Op | OT | OT | VGB | 11/09 | EUR | 157.29 | 6.4 | 8.6 | 7.1 |
| GAM TrdgIII IncUSD Op | OT | OT | VGB | 11/09 | USD | 162.87 | 6.5 | 8.5 | 6.8 |
| GAM USDSpecBondInc | US | BD | VGB | 11/09 | USD | 517.18 | 70.1 | 72.0 | 3.5 |
| GAM Worldwide | GL | EQ | VGB | 11/13 | USD | 2261.76 | 26.3 | 35.8 | -10.5 |
| GAMut Investments | OT | OT | VGB | 11/11 | USD | 7640.60 | 5.2 | 9.9 | 7.6 |

**GAM Star Fund Plc**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| GAMStar-AsEqCHF Ord Ac | AS | EQ | IRL | 11/13 | CHF | 10.41 | 47.0 | 45.0 | -20.2 |
| GAMStar-AsEqEUR Ord Ac | AS | EQ | IRL | 11/13 | EUR | 11.04 | 47.6 | 48.4 | -15.9 |
| GAMStar-AsEqGBP Ord Ac | AS | EQ | IRL | 11/13 | GBP | 1.47 | 38.4 | 54.4 | -5.2 |
| GAMStar-AsEqUSD Ord Ac | AS | EQ | IRL | 11/13 | USD | 12.94 | 57.8 | 73.4 | -14.7 |
| GAMStar-AsPacEqEUR Acc | AS | EQ | IRL | 11/16 | EUR | 96.51 | 14.2 | 10.2 | -15.5 |
| GAMStar-AsPacEqEUR Inc | AS | EQ | IRL | 11/16 | EUR | 93.40 | 14.2 | 10.2 | -15.5 |
| GAMStar-ContEurEqEUR Ac | EU | EQ | IRL | 11/13 | EUR | 10.65 | 21.1 | 19.7 | -12.5 |
| GAMStar-EurpEqEUR Acc | EU | EQ | IRL | 11/13 | EUR | 179.96 | 22.9 | 21.0 | -14.5 |
| GAMStar-EurpEqEUR Inc | EU | EQ | IRL | 11/13 | EUR | 164.44 | 22.8 | 21.0 | -14.5 |
| GAMStar-EurpEqUSD Acc | EU | EQ | IRL | 11/13 | USD | 16.36 | 31.1 | 41.2 | -13.3 |
| GAMStar-EurpEqUSD Inc | EU | EQ | IRL | 11/13 | USD | 14.84 | 31.1 | 41.1 | -13.3 |
| GAMStar-FrontierOppUSD Acc | GL | EQ | IRL | 11/13 | USD | 5.88 | 24.9 | 18.8 | NS |
| GAMStar-JpnEq EUR Acc | JP | EQ | IRL | 11/16 | EUR | 83.16 | 2.2 | 1.5 | -15.0 |
| GAMStar-JpnEq EUR Inc | JP | EQ | IRL | 11/16 | EUR | 83.16 | 2.2 | 1.5 | -15.0 |
| GAMStar-JpnEq JPY Acc | JP | EQ | IRL | 11/16 | JPY | 871.97 | 4.0 | 6.8 | -24.1 |
| GAMStar-JpnEq USD Acc | JP | EQ | IRL | 11/16 | USD | 10.74 | 2.0 | 10.8 | -17.3 |
| GAMStar-World EqUSD Acc | GL | EQ | IRL | 11/13 | USD | 2238.78 | 27.2 | 36.9 | -10.1 |

المجموعة المالية - هيرميس
EFG HERMES

**HERMES FINANCIAL MANAGEMENT (EGYPT) LIMITED, AMSALES@EFG-HERMES.COM**
*Tel: 9714 363 4041 ☆Middle East & Developing Africa Fund*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| EFG-Hermes Egypt | GL | EQ | BMU | 10/30 | USD | 43.54 | 25.9 | 29.9 | -14.4 |
| EFG-Hermes MEDA☆ | GL | EQ | BMU | 09/30 | USD | 24.16 | 15.3 | -17.3 | -10.4 |
| EFG-Hermes Saudi Arabia Equity | EA | EQ | SAU | 10/27 | SAR | 6.27 | 32.3 | 11.2 | NS |
| EFG-Hermes Telecom | OT | EQ | BMU | 09/30 | USD | 29.73 | 16.0 | -0.1 | -8.2 |

**LLOYD GEORGE MANAGEMENT (HK) LTD**
*Suite 3808, One Exchange Square, HK: Tel. 852 2845 4433 Fax. 852 2845 3911*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| LG Antenna | GL | EQ | BMU | 11/13 | USD | 58.83 | 72.3 | 75.0 | -12.7 |
| LG Asian Plus | AS | EQ | CYM | 11/06 | USD | 54.16 | 43.3 | 41.3 | -24.1 |
| LG AsianSmallerCo's | AS | EQ | BMU | 11/13 | USD | 92.54 | 67.8 | 78.7 | -25.2 |
| LG India | EA | EQ | MUS | 11/12 | USD | 62.22 | 95.0 | 90.0 | -14.6 |

Manulife WEALTH MANAGEMENT 宏利財富管理

**MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110**
*Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| American Growth | US | EQ | LUX | 11/17 | USD | 14.93 | 22.9 | 20.6 | -14.0 |
| American Growth AA | US | EQ | LUX | 11/17 | USD | 0.86 | 22.6 | 21.3 | NS |
| Asian Equity | AS | EQ | LUX | 11/17 | USD | 2.43 | 60.9 | 71.8 | -11.5 |
| Asian Equity AA | AS | EQ | LUX | 11/17 | USD | 0.78 | 61.3 | 72.2 | NS |
| Asian Sm Cap Equity AA | AS | EQ | LUX | 11/17 | USD | 1.11 | 82.0 | 95.6 | -8.8 |
| China Value A | AS | EQ | LUX | 11/17 | USD | 7.15 | 62.5 | 77.7 | -7.8 |
| China Value AA | AS | EQ | LUX | 11/17 | USD | 2.25 | 62.1 | 77.2 | -8.1 |
| Dragon Growth | AS | EQ | LUX | 11/17 | USD | 1.66 | 68.1 | 81.3 | -9.5 |
| Dragon Growth AA | OT | OT | LUX | 11/17 | HKD | 8.05 | 69.5 | 81.7 | NS |
| Emg Eastrn Europe A | EU | EQ | LUX | 11/17 | USD | 4.71 | 98.3 | 97.2 | -16.3 |
| Emg Eastrn Europe AA | EU | EQ | LUX | 11/17 | USD | 2.03 | 97.6 | 96.4 | -16.5 |
| European Growth | EU | EQ | LUX | 11/17 | USD | 9.37 | 43.8 | 52.3 | -17.5 |
| European Growth AA | EU | EQ | LUX | 11/17 | USD | 0.67 | 43.6 | 52.1 | NS |
| Global Contrarain AA | GL | EQ | LUX | 11/17 | USD | 0.87 | 78.6 | 82.9 | NS |
| Global Property AA | OT | EQ | LUX | 11/17 | USD | 0.67 | 42.1 | 47.0 | -17.5 |
| Global Resources AA | OT | EQ | LUX | 11/17 | USD | 1.10 | 54.4 | 79.4 | -10.7 |
| Healthcare AA | OT | EQ | LUX | 11/17 | USD | 0.91 | 9.0 | 10.1 | NS |
| India Equity AA | EA | EQ | LUX | 11/17 | USD | 1.07 | 76.5 | 81.5 | -17.6 |
| International Growth | GL | EQ | LUX | 11/17 | USD | 3.07 | 21.8 | 23.7 | -15.6 |
| International Growth AA | GL | EQ | LUX | 11/17 | USD | 0.71 | 21.4 | 23.2 | NS |
| Japanese Growth | JP | EQ | LUX | 11/17 | USD | 2.67 | 3.1 | 11.9 | -16.4 |
| Japanese Growth AA | JP | EQ | LUX | 11/17 | USD | 0.70 | 2.8 | 11.6 | NS |
| Latin America Equity AA | GL | EQ | LUX | 11/17 | USD | 1.27 | 96.1 | 96.7 | -7.9 |
| MGF Asia Value Dividend Equity Fund | OT | OT | Lux | 11/17 | USD | 1.11 | NS | NS | NS |
| Russia Equity AA | EE | EQ | LUX | 11/17 | USD | 0.67 | 140.2 | 121.6 | NS |
| Taiwan Equity AA | AS | EQ | LUX | 11/17 | USD | 1.03 | 73.0 | 88.1 | -3.7 |
| Turkey Equity AA | EE | EQ | LUX | 11/17 | USD | 0.71 | 95.3 | 115.6 | NS |
| U.S. Bond AA | US | BD | LUX | 11/17 | USD | 1.11 | 13.5 | 17.4 | 5.6 |
| U.S. High Yield Bond AA | US | BD | LUX | 11/17 | USD | 0.73 | 55.2 | 45.0 | -9.6 |
| U.S. Sm Cap Equity AA | US | EQ | LUX | 11/17 | USD | 0.79 | 62.4 | 50.0 | -16.5 |
| U.S. Tsy Inf-ProtSec AA | OT | BD | LUX | 11/17 | USD | 1.15 | 8.1 | 13.9 | 3.7 |

**PT CIPTADANA ASSET MANAGEMENT**
*Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Indonesian Grth Fund | EA | EQ | CYM | 11/11 | USD | 119.46 | 107.1 | 112.7 | -7.1 |

Sensible Asset Management
A Value Partners Group company

**SENSIBLE ASSET MANAGEMENT LIMITED**
*www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Asia Value Formula Fd-B | AS | EQ | CYM | 11/16 | USD | 7.94 | 85.1 | 99.5 | -7.5 |

SOCIETE GENERALE
Asset Management

**SG ASSET MANAGEMENT HTTP://WWW.SGAM.COM**
*SGAM Fund*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Bonds Eur Hi Yld A | EU | BD | LUX | 11/13 | EUR | 20.22 | 52.1 | 41.9 | -3.1 |
| Bonds EURO A | EU | BD | LUX | 11/13 | EUR | 41.16 | 4.2 | 7.8 | 5.2 |
| Bonds EUROPE A | EU | BD | LUX | 11/16 | EUR | 39.33 | 3.8 | 6.7 | 4.4 |
| Bonds US OppsCoreplus A | US | BD | LUX | 11/13 | USD | 37.09 | 17.6 | 20.6 | 9.2 |
| Bonds World A | GL | BD | LUX | 11/16 | USD | 43.77 | 9.9 | 19.2 | 8.1 |
| Eq. China A | AS | EQ | LUX | 11/16 | USD | 24.46 | 63.7 | 81.5 | -14.9 |
| Eq. ConcentratedEuropeA | EU | EQ | LUX | 11/16 | EUR | 26.71 | 29.7 | 30.9 | -18.5 |
| Eq. Eastern Europe A | EU | EQ | LUX | 11/16 | EUR | 23.09 | 74.7 | 60.1 | -26.5 |
| Eq. Euroland A | EU | EQ | LUX | 11/16 | EUR | 10.67 | 16.4 | 16.6 | -21.2 |
| Eq. EurolandCyclclsA | EU | EQ | LUX | 11/16 | EUR | 17.35 | 26.3 | 29.6 | -16.6 |
| Eq. EurolandFinancialA | OT | EQ | LUX | 11/13 | EUR | 11.90 | 41.2 | 35.0 | -19.7 |
| Eq. Glbl Emg Cty A | GL | EQ | LUX | 11/16 | USD | 9.77 | 63.4 | 79.8 | -15.4 |
| Eq. Global A | GL | EQ | LUX | 11/16 | USD | 28.06 | 33.4 | 38.2 | -14.2 |
| Eq. Global Energy A | OT | EQ | LUX | 11/16 | USD | 18.56 | 30.2 | 32.6 | -11.6 |
| Eq. Global Technol A | OT | OT | LUX | 04/24 | USD | 4.46 | 22.1 | -29.7 | -21.6 |
| Eq. Gold Mines A | OT | EQ | LUX | 11/16 | USD | 32.58 | 55.8 | 142.8 | 4.1 |
| Eq. Pacific A | AS | EQ | LUX | 11/16 | USD | 10.38 | 62.6 | 70.9 | -13.7 |
| Eq. US Lg Cap Gr A | US | EQ | LUX | 11/16 | USD | 15.01 | 37.7 | 30.4 | -13.5 |
| Eq. US Rel Val A | US | EQ | LUX | 11/16 | USD | 20.51 | 30.2 | 28.8 | -15.6 |
| Eq. US Sm Cap Val A | US | EQ | LUX | 11/16 | USD | 15.35 | 15.9 | 13.1 | -23.9 |
| Money Market EURO A | EU | MM | LUX | 11/16 | EUR | 27.38 | 1.0 | 1.4 | 2.9 |
| Money Market USD A | US | MM | LUX | 11/16 | USD | 15.83 | 0.5 | 0.8 | 2.0 |

المستثمر الوطني
The National Investor

**THE NATIONAL INVESTOR**
*TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| TNI Mena Real Estate Fund | OT | OT | BMU | 11/05 | USD | 1039.23 | 10.5 | -3.8 | -20.6 |
| TNI MENA Special Sits Fund | OT | OT | BMU | 10/29 | USD | 1139.93 | 17.4 | NS | NS |
| TNI UAE Blue Chip Fund | OT | OT | ARE | 11/05 | AED | 6.16 | 34.2 | -9.4 | -24.2 |

Value Partners
*Investing through discipline*

**WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487**
*☆formerly known as China ABH Shares Fund*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Intel-Chin MainInd Foc | AS | EQ | CYM | 10/30 | USD | 27.48 | 71.3 | 87.2 | -7.5 |
| Intel-China Converg☆ | AS | EQ | CYM | 10/30 | USD | 105.19 | 72.6 | 90.7 | -10.8 |
| VP Classic - A | AS | EQ | CYM | 11/16 | USD | 185.47 | 81.9 | 99.6 | -4.3 |
| VP Classic - B | AS | EQ | CYM | 11/16 | USD | 86.50 | 81.2 | 98.6 | -4.8 |
| VP High Dividend Stk | AS | EQ | CYM | 11/09 | USD | 43.57 | 75.3 | 87.6 | -5.2 |

**YUKI INTERNATIONAL LIMITED**
*Tel +44-207-269 0203 www.yukifunds.com*

**YMR-N Series**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| YMR-N Growth Fund | OT | OT | IRL | 11/17 | JPY | 8689.00 | 1.7 | 1.9 | -29.8 |
| YMR-N Small Cap Fund | OT | OT | IRL | 11/17 | JPY | 6553.00 | 4.3 | 11.0 | -29.1 |

**Yuki 77 Series**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki 77 General | JP | EQ | IRL | 11/17 | JPY | 5661.00 | -4.1 | -4.1 | -30.9 |
| Yuki 77 Growth | JP | EQ | IRL | 11/17 | JPY | 5307.00 | -10.3 | -11.6 | -36.4 |

**Yuki Chugoku Series**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Chugoku Jpn Gen | JP | EQ | IRL | 11/17 | JPY | 6335.00 | 1.5 | 0.6 | -27.8 |
| Yuki Chugoku JpnLowP | JP | EQ | IRL | 11/17 | JPY | 7181.00 | -12.3 | -10.0 | -27.7 |

**Yuki Hokuyo Japan Series**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Hokuyo Jpn Gen | JP | EQ | IRL | 11/17 | JPY | 4299.00 | -5.5 | -6.9 | -31.0 |
| Yuki Hokuyo Jpn Inc | JP | EQ | IRL | 11/17 | JPY | 4944.00 | -6.3 | -6.3 | -24.2 |
| Yuki Hokuyo Jpn Sm Cap | JP | EQ | IRL | 11/17 | JPY | 4784.00 | 1.7 | 8.3 | -28.0 |

**Yuki Mizuho Series**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Mizuho Gen Jpn III | OT | OT | IRL | 11/17 | JPY | 4049.00 | -4.7 | -7.7 | -34.1 |
| Yuki Mizuho Jpn Dyn Gro | OT | OT | IRL | 11/17 | JPY | 4347.00 | -3.2 | -7.2 | -34.4 |
| Yuki Mizuho Jpn Exc 100 | OT | OT | IRL | 11/17 | JPY | 6385.00 | 4.7 | 2.6 | -28.7 |
| Yuki Mizuho Jpn Gen | OT | OT | IRL | 11/17 | JPY | 7948.00 | -0.9 | -1.4 | -30.0 |
| Yuki Mizuho Jpn Gro | OT | OT | IRL | 11/17 | JPY | 5946.00 | -4.9 | -3.6 | -32.5 |
| Yuki Mizuho Jpn Inc | OT | OT | IRL | 11/17 | JPY | 7091.00 | -10.8 | -10.1 | -27.3 |
| Yuki Mizuho Jpn Lg Cap | OT | OT | IRL | 11/17 | JPY | 4841.00 | -2.9 | -4.1 | -29.2 |
| Yuki Mizuho Jpn LowP | OT | OT | IRL | 11/17 | JPY | 10771.00 | -5.0 | -1.3 | -24.5 |
| Yuki Mizuho Jpn PGth | OT | OT | IRL | 11/17 | JPY | 7423.00 | -2.8 | -4.2 | -33.9 |
| Yuki Mizuho Jpn SmCp | OT | OT | IRL | 11/17 | JPY | 6618.00 | 7.9 | 11.8 | -30.0 |
| Yuki Mizuho Jpn Val Sel | OT | OT | IRL | 11/17 | JPY | 5322.00 | 2.5 | 4.9 | -25.6 |
| Yuki Mizuho Jpn YoungCo | OT | OT | IRL | 11/17 | JPY | 2601.00 | 9.0 | 4.6 | -35.0 |

**Yuki Shizuoka Japan Series**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Shizuoka General Japan | JP | EQ | IRL | 11/17 | JPY | 5008.00 | -1.8 | -2.3 | -31.3 |

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com or Peter Jennings, tel: +44-20-7842-9674; email: peter.jennings@dowjones.com

# Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

## Giants around the world

In U.S.-dollar terms.

### Dow Jones Country Titans

| | INDEX PERFORMANCE | | |
|---|---|---|---|
| | Previous session | Year-to-date | 52-week |
| Brazil | -0.58% | **103.8%** | 145.1% |
| Russia | -0.03 | **100.7** | 109.1 |
| China 88 | 0.07 | **87.6** | 82.7 |
| Turkey | -3.22 | **71.2** | 95.5 |
| Singapore | -0.65 | **59.0** | 65.4 |
| Hong Kong | -0.30 | **55.0** | 77.5 |
| Sweden | -0.60 | **51.5** | 60.4 |
| South Korea | -0.43 | **44.9** | 56.7 |
| Netherlands | 0.19 | **37.9** | 36.6 |
| Canada | 0.37 | **28.0** | 30.2 |
| Australia | -0.71 | **26.5** | 33.7 |
| Switzerland | -0.82 | **23.7** | 25.6 |
| Italy | -0.14 | **23.6** | 18.7 |
| U.K. | -0.44 | **20.3** | 26.8 |
| France | -0.50 | **20.0** | 21.5 |
| South Africa | 0.17 | **19.9** | 39.7 |
| Spain | 0.04 | **17.9** | 26.3 |
| Germany | -0.31 | **15.0** | 20.1 |
| Japan | -0.01 | **1.2** | 3.1 |

### Dow Jones Regional Sector Titans

| | | | |
|---|---|---|---|
| Basic Res | -0.63% | **80.6%** | 107.4% |
| Tiger 50* | -0.08 | **58.9** | 80.8 |
| Technology | -0.03 | **51.5** | 59.5 |
| EU Enlarged†-p | 1.61 | **41.2** | 36.3 |
| Nordic 30 -p | 1.35 | **40.8** | 36.6 |
| Asian 50 | -0.20 | **30.3** | 44.4 |
| Stoxx 50 -p | 1.47 | **22.2** | 21.4 |
| Global 50 | -0.06 | **21.3** | 25.6 |
| Euro Stoxx 50 -p | 1.49 | **19.6** | 23.7 |
| Arab 50 | -2.14 | **6.0** | 6.3 |

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

## Dow Jones Asia Titans: Tuesday's best and worst...

| Company | Country | Industry | Market value, in billions of US$ | Previous close, in local currency | STOCK PERFORMANCE Previous session | 52-week | Three-year |
|---|---|---|---|---|---|---|---|
| **Japan Tobacco** | Japan | Tobacco | $28.1 | 261,400 | **4.56%** | -14.9% | -49.3% |
| **Canon** | Japan | Electronic Office Equipment | 48.0 | 3,470 | **2.97** | 23.3 | -43.2 |
| **East Japan Railway** | Japan | Travel Tourism | 26.1 | 5,820 | **1.93** | -25.0 | -27.3 |
| **KB Fncl Group** | South Korea | Banks | 20.2 | 60,600 | **1.51** | 107.1 | -13.3 |
| **Mitsubishi UFJ Finl Grp** | Japan | Banks | 63.1 | 487.00 | **1.46** | -10.8 | -65.0 |
| **Commonwealth Bk of Australia** | Australia | Banks | $74.2 | 52.64 | **-2.45%** | 74.9 | 11.5 |
| **Westpac Bking** | Australia | Banks | 66.7 | 24.70 | **-2.33** | 58.8 | 3.7 |
| **Shin-Etsu Chml** | Japan | Specialty Chemicals | 22.2 | 4,660 | **-1.69** | 10.2 | -36.0 |
| **Aus NZ Bk** | Australia | Banks | 50.9 | 21.89 | **-1.31** | 67.9 | -21.3 |
| **Nintendo** | Japan | Toys | 32.6 | 22,750 | **-1.17** | -24.4 | -13.4 |

## ...And the rest of Asia's blue chips

| Company/Country (Industry) | Market value, in billions (U.S) | Latest, in local currency | STOCK PERFORMANCE Latest | 52-week | Three-year |
|---|---|---|---|---|---|
| **Tokyo Elec Power** Japan (Conventional Electricity) | 33.6 | 2,220 | **1.14%** | -23.7% | -36.6% |
| **POSCO** South Korea (Iron Steel) | 36.8 | 560,000 | **1.08** | 86.7 | 98.2 |
| **BHP Billiton** Australia (General Mining) | 126.2 | 40.50 | **1.00** | 67.4 | 57.7 |
| **Kansai Elec Power** Japan (Conventional Electricity) | 21.8 | 2,035 | **0.99** | -17.6 | -27.7 |
| **CNOOC** Hong Kong (Exploration Production) | 74.1 | 12.86 | **0.94** | 125.6 | 94.6 |
| **Nippon T&T** Japan (Fixed Line Telecommunications) | 55.9 | 3,770 | **0.80** | -11.1 | -33.3 |
| **RioZim Ltd** Australia (General Mining) | 41.4 | 73.40 | **0.71** | 36.8 | 28.2 |
| **Mitsubishi** Japan (Industrial Suppliers) | 36.4 | 1,982 | **0.66** | 61.0 | -0.5 |
| **JFE Hldgs** Japan (Iron Steel) | 18.2 | 3,080 | **0.65** | 41.3 | -36.2 |
| **Takeda Pharm** Japan (Pharmaceuticals) | 31.4 | 3,550 | **0.57** | -23.0 | -52.7 |
| **Toyota Motor** Japan (Automobiles) | 125.9 | 3,570 | **0.56** | 17.1 | -48.6 |
| **PetroChina** Hong Kong (Integrated Oil Gas) | 27.6 | 10.12 | **0.40** | 80.7 | 13.3 |
| **Taiwan Smcndtr Mfg** Taiwan (Semiconductors) | 50.5 | 62.60 | **0.32** | 63.4 | 0.9 |
| **Nippon Steel** Japan (Iron Steel) | 23.6 | 335.00 | **0.30** | 21.4 | -30.2 |
| **China Mobile (HK)** Hong Kong (Mobile Telecommunications) | 190.6 | 74.30 | **0.27** | 12.1 | 11.5 |
| **Mitsui** Japan (Industrial Suppliers) | 23.7 | 1,168 | **0.26** | 41.2 | -21.7 |
| **NTT DoCoMo** Japan (Mobile Telecommunications) | 62.4 | 130,700 | **0.23** | -17.3 | -27.4 |
| **Seven I Hldgs** Japan (Broadline Retailers) | 19.8 | 1,958 | **0.20** | -32.4 | -42.8 |
| **Woolworths** Australia (Food Retailers Wholesalers) | 32.5 | 28.40 | **0.18** | 8.2 | 31.4 |
| **National Australia Bk** Australia (Banks) | 54.5 | 28.50 | **...** | 48.8 | -25.1 |

| Company/Country (Industry) | Market value, in billions (U.S) | Latest, in local currency | STOCK PERFORMANCE Latest | 52-week | Three-year |
|---|---|---|---|---|---|
| **Honda Motor** Japan (Automobiles) | 59.0 | 2,880 | **...** | 39.5% | -30.1% |
| **Shinhan Financial Grp** South Korea (Banks) | 19.7 | 47,800 | **...** | 64.9 | 8.0 |
| **China Constr Bk** Hong Kong (Banks) | 214.3 | 7.39 | **...** | 90.5 | 77.6 |
| **Sony** Japan (Consumer Electronics) | 28.2 | 2,525 | **-0.20%** | 25.9 | -46.6 |
| **KDDI** Japan (Mobile Telecommunications) | 22.7 | 459,000 | **-0.22** | -24.3 | -39.5 |
| **QBE Ins Grp** Australia (Reinsurance) | 20.9 | 22.44 | **-0.31** | -5.9 | -11.3 |
| **Panasonic** Japan (Consumer Electronics) | 27.9 | 1,201 | **-0.33** | -16.5 | -47.6 |
| **Hon Hai Precision Ind** Taiwan (Electrical Components Equipment) | 36.4 | 137.00 | **-0.36** | 177.4 | -8.1 |
| **Tokio Marine** Japan (Property Casualty Insurance) | 21.3 | 2,410 | **-0.41** | -15.3 | -37.4 |
| **Sun Hung Kai Prop** Hong Kong (Real Estate Holding Development) | 38.9 | 117.70 | **-0.51** | 114.0 | 31.8 |
| **Cheung Kong (Hldgs)** Hong Kong (Real Estate Holding Development) | 29.2 | 97.60 | **-0.66** | 49.9 | 8.4 |
| **Sumitomo Mitsui Finl** Japan (Banks) | 34.2 | 3,030 | **-0.66** | -11.1 | -74.1 |
| **Samsung Elec** South Korea (Semiconductors) | 93.0 | 728,000 | **-0.68** | 67.4 | 12.0 |
| **Westfield Grp** Australia (Retail REITs) | 25.8 | 12.22 | **-0.73** | -11.4 | -36.7 |
| **China Life Ins** Hong Kong (Life Insurance) | 37.3 | 38.80 | **-0.77** | 94.0 | 109.3 |
| **Hutchison Whampoa** Hong Kong (Diversified Industrials) | 30.2 | 54.85 | **-0.81** | 50.7 | -23.5 |
| **Indl Comm Bk China** Hong Kong (Banks) | 74.0 | 6.90 | **-0.86** | 91.7 | 72.5 |
| **Nissan Motor** Japan (Automobiles) | 32.8 | 648.00 | **-0.92** | 82.0 | -54.3 |
| **Woodside Petroleum** Australia (Exploration Production) | 32.7 | 49.60 | **-1.00** | 41.8 | 35.8 |
| **Mizuho Financial Grp** Japan (Banks) | 26.8 | 170.00 | **-1.16** | -26.0 | -78.9 |

Sources: Dow Jones Indexes; WSJ Market Data Group

# Tracking credit markets & dealmakers

**— NOTICE TO READERS —**
All statistics published in The Wall Street Journal Asia from markets outside the Asian-Pacific region reflect preliminary data.

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## Hedge funds

| Dow Jones Hedge Benchmark | TOTAL RETURN for rolling periods, net of fees* One week | One month | One quarter | Year to date | One year |
|---|---|---|---|---|---|
| **Merger Arbitrage** | 0.33% | 0.35% | 1.6% | 7.1% | 7.0% |
| **Event Driven** | -0.05 | 0.63 | 4.3 | 13.4 | 3.4 |
| **Equity Long/Short** | 0.03 | -1.23 | 0.2 | 3.0 | -3.6 |

*Estimates as of 11/13/09, after fees; Source: www.djhedgefundindexes.com

## Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

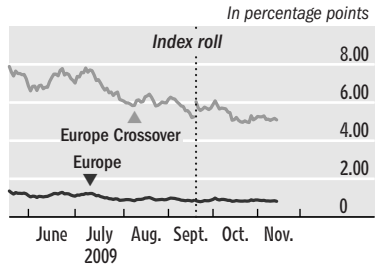
### Markit iTraxx Indexes

| Index: series/version | Mid-spread, in pct. pts. | Mid-price | Coupon | SPREAD RANGE, in pct. pts. since most recent roll Maximum | Minimum | Average |
|---|---|---|---|---|---|---|
| **Europe:** 12/1 | 0.82 | 100.84% | 0.01% | 1.00 | 0.78 | 0.86 |
| **Eur. High Volatility:** 12/1 | 1.36 | 98.35 | 0.01 | 1.76 | 1.34 | 1.46 |
| **Europe Crossover:** 12/1 | 5.09 | 99.65 | 0.05 | 6.15 | 4.87 | 5.37 |
| **Asia ex-Japan IG:** 12/1 | 1.04 | 99.81 | 0.01 | 1.26 | 0.96 | 1.10 |
| **Japan:** 12/1 | 1.35 | 98.31 | 0.01 | 1.53 | 0.99 | 1.27 |

Note: Data as of November 16

### Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.




Source: Markit Group

## Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

### Showing the biggest improvement...

| | Yesterday | CHANGE, in basis points Yesterday | Five-day | 28-day |
|---|---|---|---|---|
| **Nomura Hldgs** | 170 | **-6** | 2 | 10 |
| **PCCW HKT Tel** | 100 | **-6** | -6 | -4 |
| **PTT Pub** | 96 | **-5** | -2 | 11 |
| **Rep Philippines** | 172 | **-5** | -9 | 17 |
| **Sanyo Shinpan Fin** | 773 | **-4** | -91 | -430 |
| **Socialist Rep Vietnam** | 204 | **-4** | -12 | 35 |
| **Posco** | 74 | **-4** | -6 | 2 |
| **Telekom Malaysia BHD** | 91 | **-4** | -5 | 12 |
| **Expt Import Bk of China** | 116 | **-4** | -5 | 7 |
| **Rep Korea** | 94 | **-4** | -5 | 7 |

### And the most deterioration

| | Yesterday | CHANGE, in basis points Yesterday | Five-day | 28-day |
|---|---|---|---|---|
| **Nissan Mtr** | 136 | **4** | 4 | 15 |
| **Kobe Stl** | 124 | **4** | 4 | 34 |
| **Swire Pac** | 85 | **4** | 1 | 1 |
| **Victor Co of Japan** | 1840 | **5** | -33 | 110 |
| **Hitachi** | 95 | **6** | 6 | 20 |
| **Marubeni** | 187 | **6** | 4 | 18 |
| **Taisei** | 317 | **7** | 25 | 65 |
| **Kajima** | 235 | **10** | 35 | 58 |
| **Nishimatsu Constr** | 516 | **11** | -7 | -29 |
| **Nippon Sheet Glass** | 198 | **20** | 9 | 1 |

Source: Markit Group

## Behind Europe's deals: Bank revenue rankings, Eurozone

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

| | Revenue, in millions | Market share | PERCENTAGE OF TOTAL REVENUE Equity capital markets | Debt capital markets | Mergers & acquisitions | Loans |
|---|---|---|---|---|---|---|
| **JPMorgan** | $656 | 6.8% | 26% | 33% | 40% | 2% |
| **Deutsche Bank** | 613 | 6.4 | 14 | 53 | 30 | 3 |
| **BNP Paribas** | 597 | 6.2 | 22 | 51 | 19 | 8 |
| **Credit Suisse** | 494 | 5.2 | 29 | 45 | 25 | 1 |
| **Calyon** | 420 | 4.4 | 33 | 51 | 8 | 8 |
| **Goldman Sachs** | 415 | 4.3 | 25 | 17 | 58 | 1 |
| **SG Corporate Investment Banking** | 400 | 4.2 | 29 | 56 | 9 | 6 |
| **Bank of America Merrill Lynch** | 392 | 4.1 | 28 | 31 | 38 | 3 |
| **UBS** | 372 | 3.9 | 26 | 33 | 40 | 1 |

Source: Dealogic

# GLOBAL MARKETS LINEUP

## Commodities

Prices of futures contracts with the most open interest

**EXCHANGE LEGEND: CBOT:** Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

| Commodity | Exchange | Last price | ONE-DAY CHANGE Net | ONE-DAY CHANGE Percentage | Contract high | Contract low |
|---|---|---|---|---|---|---|
| **Corn** (cents/bu.) | CBOT | **415.00** | -2.50 | **-0.60%** | 712.25 | 315.50 |
| **Soybeans** (cents/bu.) | CBOT | **1009.00** | -1.00 | **-0.10** | 1,315.00 | 794.00 |
| **Wheat** (cents/bu.) | CBOT | **581.00** | -2.75 | **-0.47** | 1,029.25 | 459.00 |
| **Live cattle** (cents/lb.) | CME | **85.125** | -0.025 | **-0.03** | 108.600 | 84.150 |
| **Cocoa** ($/ton) | ICE-US | **3,136** | -20 | **-0.63** | 3,439 | 1,994 |
| **Coffee** (cents/lb.) | ICE-US | **137.95** | -1.50 | **-1.08** | 188.65 | 115.00 |
| **Sugar** (cents/lb.) | ICE-US | **23.02** | -0.21 | **-0.90** | 26.25 | 11.91 |
| **Cotton** (cents/lb.) | ICE-US | **71.99** | -0.68 | **-0.94** | 84.00 | 49.67 |
| **Crude palm oil** (ringgit/ton) | MDEX | **2,320.00** | -5 | **-0.22** | 4,200 | 1,487 |
| **Cocoa** (pounds/ton) | LIFFE | **2,076** | -7 | **-0.34** | 2,250 | 1,475 |
| **Robusta coffee** ($/ton) | LIFFE | **1,328** | -11 | **-0.82** | 1,955 | 1,295 |
| **Copper** (cents/lb.) | COMEX | **313.20** | 0.35 | **0.11%** | 365.00 | 135.50 |
| **Gold** ($/troy oz.) | COMEX | **1132.10** | -6.50 | **-0.57** | 1,144.20 | 494.00 |
| **Silver** (cents/troy oz.) | COMEX | **1830.00** | -10.00 | **-0.54** | 2,200.00 | 740.00 |
| **Aluminum** ($/ton) | LME | **2,036.50** | 66.50 | **3.38** | 2,065.00 | 1,288.00 |
| **Tin** ($/ton) | LME | **14,795.00** | 95.00 | **0.65** | 15,700.00 | 9,750.00 |
| **Copper** ($/ton) | LME | **6,790.00** | 90.00 | **1.34** | 6,790.00 | 2,815.00 |
| **Lead** ($/ton) | LME | **2,356.50** | 36.50 | **1.57** | 2,459.50 | 870.00 |
| **Zinc** ($/ton) | LME | **2,259.00** | 39.00 | **1.76** | 2,344.00 | 1,065.00 |
| **Nickel** ($/ton) | LME | **16,700** | 150 | **0.91** | 21,150 | 9,175 |
| **Crude oil** ($/bbl.) | NYMEX | **78.70** | -0.20 | **-0.25** | 139.00 | 47.31 |
| **Heating oil** ($/gal.) | NYMEX | **2.0688** | -0.0012 | **-0.06** | 4.1847 | 1.3640 |
| **RBOB gasoline** ($/gal.) | NYMEX | **2.0145** | -0.0032 | **-0.16** | 2.7100 | 1.1525 |
| **Natural gas** ($/mmBtu) | NYMEX | **4.945** | -0.046 | **-0.92** | 12.920 | 4.674 |
| **Brent crude** ($/bbl.) | ICE-EU | **78.37** | -0.39 | **-0.50** | 108.19 | 48.19 |
| **Gas oil** ($/ton) | ICE-EU | **641.25** | 1.75 | **0.27** | 790.00 | 443.50 |

Source: Thomson Reuters; WSJ Market Data Group

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## Currencies

London close on Nov. 17

| AMERICAS | Per euro | In euros | Per U.S. dollar | In U.S. dollars |
|---|---|---|---|---|
| **Argentina** peso-a | 5.6633 | 0.1766 | 3.8165 | 0.2620 |
| **Brazil** real | 2.5551 | 0.3914 | 1.7219 | 0.5808 |
| **Canada** dollar | 1.5717 | 0.6362 | 1.0592 | 0.9441 |
| 1-mo. forward | 1.5717 | 0.6362 | 1.0592 | 0.9441 |
| 3-mos. forward | 1.5717 | 0.6362 | 1.0592 | 0.9441 |
| 6-mos. forward | 1.5720 | 0.6362 | 1.0593 | 0.9440 |
| **Chile** peso | 732.82 | 0.001365 | 493.85 | 0.002025 |
| **Colombia** peso | 2920.02 | 0.0003425 | 1967.80 | 0.0005082 |
| **Ecuador** US dollar-f | 1.4839 | 0.6739 | 1 | 1 |
| **Mexico** peso-a | 19.4027 | 0.0515 | 13.0755 | 0.0765 |
| **Peru** sol | 4.2581 | 0.2348 | 2.8695 | 0.3485 |
| **Uruguay** peso-e | 30.494 | 0.0328 | 20.550 | 0.0487 |
| **U.S.** dollar | 1.4839 | 0.6739 | 1 | 1 |
| **Venezuela** bolivar | 3.19 | 0.313836 | 2.15 | 0.465701 |
| **ASIA-PACIFIC** | | | | |
| **Australia** dollar | 1.6045 | 0.6233 | 1.0813 | 0.9249 |
| **China** yuan | 10.1299 | 0.0987 | 6.8266 | 0.1465 |
| **Hong Kong** dollar | 11.5006 | 0.0870 | 7.7503 | 0.1290 |
| **India** rupee | 68.5933 | 0.0146 | 46.2250 | 0.0216 |
| **Indonesia** rupiah | 13926 | 0.0000718 | 9385 | 0.0001066 |
| **Japan** yen | 132.70 | 0.007536 | 89.43 | 0.011183 |
| 1-mo. forward | 132.68 | 0.007537 | 89.41 | 0.011184 |
| 3-mos. forward | 132.63 | 0.007540 | 89.38 | 0.011188 |
| 6-mos. forward | 132.55 | 0.007545 | 89.32 | 0.011195 |
| **Malaysia** ringgit-c | 4.9970 | 0.2001 | 3.3675 | 0.2970 |
| **New Zealand** dollar | 2.0005 | 0.4999 | 1.3482 | 0.7418 |
| **Pakistan** rupee | 123.980 | 0.0081 | 83.550 | 0.0120 |
| **Philippines** peso | 69.150 | 0.0145 | 46.600 | 0.0215 |
| **Singapore** dollar | 2.0592 | 0.4856 | 1.3877 | 0.7206 |
| **South Korea** won | 1714.05 | 0.0005834 | 1155.10 | 0.0008657 |
| **Taiwan** dollar | 47.648 | 0.02099 | 32.110 | 0.03114 |
| **Thailand** baht | 49.280 | 0.02029 | 33.210 | 0.03011 |

| EUROPE | Per euro | In euros | Per U.S. dollar | In U.S. dollars |
|---|---|---|---|---|
| **Euro zone** euro | 1 | 1 | 0.6739 | 1.4839 |
| 1-mo. forward | 1.0001 | 0.9999 | 0.6740 | 1.4837 |
| 3-mos. forward | 1.0004 | 0.9996 | 0.6742 | 1.4833 |
| 6-mos. forward | 1.0010 | 0.9990 | 0.6746 | 1.4824 |
| **Czech Rep.** koruna-b | 25.507 | 0.0392 | 17.189 | 0.0582 |
| **Denmark** krone | 7.4409 | 0.1344 | 5.0144 | 0.1994 |
| **Hungary** forint | 266.32 | 0.003755 | 179.47 | 0.005572 |
| **Norway** krone | 8.3447 | 0.1198 | 5.6235 | 0.1778 |
| **Poland** zloty | 4.1027 | 0.2437 | 2.7648 | 0.3617 |
| **Russia** ruble-d | 42.767 | 0.02338 | 28.821 | 0.03470 |
| **Sweden** krona | 10.2310 | 0.0977 | 6.8947 | 0.1450 |
| **Switzerland** franc | 1.5114 | 0.6616 | 1.0186 | 0.9818 |
| 1-mo. forward | 1.5111 | 0.6618 | 1.0184 | 0.9820 |
| 3-mos. forward | 1.5106 | 0.6620 | 1.0180 | 0.9823 |
| 6-mos. forward | 1.5097 | 0.6624 | 1.0174 | 0.9829 |
| **Turkey** lira | 2.2018 | 0.4542 | 1.4838 | 0.6739 |
| **U.K.** pound | 0.8835 | 1.1319 | 0.5954 | 1.6796 |
| 1-mo. forward | 0.8837 | 1.1316 | 0.5955 | 1.6792 |
| 3-mos. forward | 0.8841 | 1.1311 | 0.5958 | 1.6785 |
| 6-mos. forward | 0.8846 | 1.1304 | 0.5962 | 1.6774 |
| **MIDDLE EAST/AFRICA** | | | | |
| **Bahrain** dinar | 0.5594 | 1.7876 | 0.3770 | 2.6526 |
| **Egypt** pound-a | 8.0952 | 0.1235 | 5.4554 | 0.1833 |
| **Israel** shekel | 5.6061 | 0.1784 | 3.7780 | 0.2647 |
| **Jordan** dinar | 1.0510 | 0.9515 | 0.7083 | 1.4119 |
| **Kuwait** dinar | 0.4233 | 2.3624 | 0.2853 | 3.5056 |
| **Lebanon** pound | 2236.98 | 0.0004470 | 1507.50 | 0.0006634 |
| **Saudi Arabia** riyal | 5.5650 | 0.1797 | 3.7503 | 0.2666 |
| **South Africa** rand | 11.1014 | 0.0901 | 7.4812 | 0.1337 |
| **United Arab** dirham | 5.4505 | 0.1835 | 3.6731 | 0.2722 |
| **SDR** -f | 0.9269 | 1.0788 | 0.6247 | 1.6009 |

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

## Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

| Price-to-earnings ratio* | Region/Country | Index | PREVIOUS SESSION Close | Net change | Percentage change | PERFORMANCE Yr.-to-date | 52-wk. |
|---|---|---|---|---|---|---|---|
| 45 | **ASIA-PACIFIC** | DJ Asia-Pacific | 121.28 | -0.55 | **-0.45%** | 29.6% | 44.8% |
| 16 | Australia | SPX/ASX 200 | 4729.4 | -25.8 | **-0.54** | 27.1 | 34.2 |
| ... | China | CBN 600 | 29332.74 | 41.28 | **0.14%** | 98.7 | 99.7 |
| 21 | Hong Kong | Hang Seng | 22914.15 | -29.83 | **-0.13** | 59.3 | 77.4 |
| 19 | India | Sensex | 17050.65 | 18.14 | **0.11** | 76.7 | 90.8 |
| 16 | Indonesia | Jakarta Composite | 2473.789 | 5.114 | **0.21** | 82.5 | 107.9 |
| ... | Japan | Nikkei Stock Average | 9729.93 | -61.25 | **-0.63** | 9.8 | 16.8 |
| ... | | Topix | 857.00 | -3.42 | **-0.40** | -0.3 | 2.6 |
| ... | Malaysia | Kuala Lumpur Composite | 1279.95 | 1.64 | **0.13** | 46.0 | 44.9 |
| 16 | New Zealand | NZSX-50 | 3131.515 | -42.452 | **-1.34** | 15.3 | 15.4 |
| 8 | Pakistan | KSE 100 | 9204.98 | -99.33 | **-1.07** | 56.9 | 0.2 |
| 16 | Philippines | Manila Composite | 3032.09 | 20.73 | **0.69** | 61.9 | 61.8 |
| ... | Singapore | Straits Times | 2764.95 | -18.90 | **-0.68** | 57.0 | 63.4 |
| 11 | South Korea | Kospi | 1585.98 | -6.49 | **-0.41** | 41.0 | 53.1 |
| 21 | Taiwan | Weighted | 7733.21 | -59.47 | **-0.76** | 68.4 | 79.6 |
| 10 | Thailand | SET | 706.55 | -0.20 | **-0.03** | 57.0 | 68.2 |
| 50 | **EUROPE** | DJ Stoxx 600 | 250.36 | -0.98 | **-0.39** | 27.2 | 24.0 |
| 22 | | DJ Stoxx 50 | 2536.58 | -9.79 | **-0.38** | 22.8 | 19.2 |
| 40 | **Euro Zone** | DJ Euro Stoxx | 270.98 | -1.78 | **-0.65%** | 21.6% | 23.6% |
| 18 | | DJ Euro Stoxx 50 | 2905.33 | -20.82 | **-0.71** | 18.5 | 21.6 |
| 19 | Denmark | OMX Copenhagen | 314.72 | -2.94 | **-0.93** | 39.1 | 31.1 |
| 19 | Finland | OMX Helsinki | 6333.29 | -57.49 | **-0.90** | 17.2 | 15.6 |
| 19 | France | CAC-40 | 3829.06 | -34.10 | **-0.88** | 19.0 | 19.0 |
| 22 | Germany | DAX | 5778.43 | -26.39 | **-0.45** | 20.1 | 26.2 |
| 17 | Italy | FTSE MIB | 23381.18 | -239.26 | **-1.01** | 20.1 | 16.2 |
| ... | Netherlands | AEX | 321.08 | -1.08 | **-0.34** | 30.6 | 28.1 |
| ... | Russia | RTSI | 1472.76 | -9.06 | **-0.61** | 133.1 | 144.7 |
| 11 | Spain | IBEX 35 | 11959.4 | -27.5 | **-0.23** | 30.1 | 40.2 |
| 14 | Switzerland | SMI | 6376.40 | -46.41 | **-0.72** | 15.2 | 12.3 |
| ... | Turkey | ISE National 100 | 47243.23 | -1532.06 | **-3.14** | 75.9 | 101.1 |
| 14 | U.K. | FTSE 100 | 5345.93 | -36.74 | **-0.68** | 20.6 | 27.0 |
| 1 | **AMERICAS** | DJ Americas | 292.52 | -0.99 | **-0.34** | 29.4 | 40.0 |
| 15 | Brazil | Bovespa | 66474.63 | -152.46 | **-0.23** | 77.0 | 95.7 |
| 13 | Argentina | Merval | 2263.83 | -30.81 | **-1.34** | 109.7 | 131.4 |
| 20 | Mexico | IPC | 31237.94 | 235.85 | **0.76%** | 39.6 | 64.6 |

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

**Reuters Group PLC** is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

## Dow Jones and Dow Jones Stoxx Indexes

| Dividend yield* | Price-to-earnings ratio* | Dows Jones Index | Last | Net change | PERFORMANCE Daily | Year-to-date | 52-wk. | Three-yr., annualized |
|---|---|---|---|---|---|---|---|---|
| 2.18% | 2 | **DJ Global Index** | 226.30 | -1.16 | **-1.16%** | 41.6% | -0.5% | -5.5% |
| 1.94 | 20 | **Global DOW** | 1979.34 | -1.78 | **-1.78** | 40.8 | -0.1 | -1.1 |
| 2.49 | 99 | **Asia/Pacific 600** | 113.23 | -0.60 | **-0.60** | 31.8 | -0.5 | -6.4 |
| 1.77 | 0 | **Emerging Markets** | 276.58 | -0.87 | **-0.87** | 99.2 | -0.3 | 5.6 |
| 2.24 | 45 | **Asia/Pacific** | 121.28 | -0.56 | **-0.56** | 44.8 | -0.5 | -4.2 |
| 2.49 | 18 | **Asia/Pacific ex-Japan** | 311.54 | -1.64 | **-1.64** | 90.9 | -0.5 | 2.5 |
| 2.71 | 25 | **Southeast Asia** | 154.81 | -0.55 | **-0.55** | 85.6 | -0.4 | 3.9 |
| 0.82 | 34 | **CBN China 600** -c | 29332.74 | 41.28 | **41.28** | 99.7 | 0.1 | 33.7 |
| 0.84 | 37 | **Shanghai** | 391.04 | 0.90 | **0.90** | 98.2 | 0.2 | 33.2 |
| 0.58 | 56 | **Shenzhen** | 413.56 | 0.96 | **0.96** | 129.2 | 0.2 | 39.2 |
| 2.07 | 21 | **China Offshore 50** | 4311.61 | -2.91 | **-2.91** | 91.4 | -0.1 | 14.7 |
| 9.01 | 10 | **Australia LPT** -c, d | 1144.27 | -8.30 | **-8.30** | -0.7 | -0.7 | -19.6 |

| Dividend yield* | Price-to-earnings ratio* | Dows Jones Index | Last | Net change | PERFORMANCE Daily | Year-to-date | 52-wk. | Three-yr., annualized |
|---|---|---|---|---|---|---|---|---|
| 2.16% | 3 | **Islamic Market** | 1946.45 | -8.84 | **-8.84%** | 41.0% | -0.5% | -1.3% |
| 2.48 | 16 | **Islamic Market 100** | 2096.55 | -6.68 | **-6.68** | 27.0 | -0.3 | -2.3 |
| 9.76 | 24 | **Bahrain** | 120.54 | -1.38 | **-1.38** | -28.7 | -1.1 | -13.2 |
| 2.95 | 30 | **Kuwait** | 188.96 | -10.72 | **-10.72** | -17.4 | -5.4 | -17.8 |
| 2.61 | 19 | **Sustainability** | 1023.26 | -6.08 | **-6.08** | 41.8 | -0.6 | -6.0 |
| 2.81 | 50 | **Stoxx 600 -p** | 281.16 | 5.65 | **5.65** | 48.6 | 2.0 | -6.6 |
| 4.95 | 13 | **Stoxx Select Div 30 -p** | 1899.15 | 43.38 | **43.38** | 46.0 | 2.3 | -17.9 |
| 4.20 | 16 | **Euro Stoxx Sel Div 30 -p** | 2225.80 | 40.95 | **40.95** | 56.8 | 1.9 | -13.8 |
| 1.76 | 30 | **DJ U.S. TSM** | 11339.39 | -35.46 | **-35.46** | 32.4 | -0.3 | -7.0 |
| 4.05 | 15 | **U.S. Select Dividend -d** | 634.08 | -1.94 | **-1.94** | 11.0 | -0.3 | -10.3 |
| 4.65 | | **U.S. REIT** | 140.02 | 0.29 | **0.29** | 39.6 | 0.2 | -18.3 |
| | | **DJ-UBS Commodity -p** | 136.08 | 4.41 | **4.41** | 10.6 | 3.4 | -6.4 |

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

## Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

| | US$ | A$ | £ | C$ | YUAN | EURO | HK$ | RUPEE | RUPIAH | YEN | NZ$ | WON | RINGGIT | PH. PESO | S$ | S FRANC | TW$ | BAHT |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **U.S.** | | 1.081 | 0.595 | 1.059 | 6.827 | 0.674 | 7.750 | 46.225 | 9385.27 | 89.425 | 1.348 | 1155.09 | 3.367 | 46.600 | 1.388 | 1.019 | 32.110 | 33.210 |
| **Australia** | 0.925 | | 0.551 | 0.980 | 6.314 | 0.623 | 7.168 | 42.751 | 8679.96 | 82.705 | 1.247 | 1068.29 | 3.114 | 43.098 | 1.283 | 0.942 | 29.697 | 30.714 |
| **Britain** | 1.680 | 1.816 | | 1.779 | 11.466 | 1.132 | 13.017 | 77.639 | 15763.49 | 150.198 | 2.264 | 1940.10 | 5.656 | 78.269 | 2.331 | 1.711 | 53.932 | 55.780 |
| **Canada** | 0.944 | 1.021 | 0.562 | | 6.445 | 0.636 | 7.317 | 43.641 | 8860.71 | 84.427 | 1.273 | 1090.53 | 3.179 | 43.995 | 1.310 | 0.962 | 30.315 | 31.354 |
| **China** | 0.1465 | 0.158 | 0.087 | 0.155 | | 0.099 | 1.135 | 6.771 | 1374.82 | 13.100 | 0.197 | 169.21 | 0.493 | 6.826 | 0.203 | 0.149 | 4.704 | 4.865 |
| **Euro** | 1.484 | 1.604 | 0.883 | 1.572 | 10.130 | | 11.501 | 68.593 | 13926.79 | 132.698 | 2.001 | 1714.04 | 4.997 | 69.150 | 2.059 | 1.511 | 47.648 | 49.280 |
| **Hong Kong** | 0.129 | 0.140 | 0.077 | 0.137 | 0.881 | 0.087 | | 5.964 | 1210.96 | 11.538 | 0.174 | 149.04 | 0.435 | 6.013 | 0.179 | 0.131 | 4.143 | 4.285 |
| **India** | 0.0216 | 0.0234 | 0.0129 | 0.0229 | 0.1477 | 0.0146 | 0.1677 | | 203.03 | 1.9346 | 0.0292 | 24.99 | 0.0729 | 1.0081 | 0.0300 | 0.0220 | 0.6946 | 0.7184 |
| **Indonesia** | 0.0001 | 0.0001 | 0.0001 | 0.0001 | 0.0007 | 0.0001 | 0.0008 | 0.0049 | | 0.0095 | 0.0001 | 0.12 | 0.0004 | 0.0050 | 0.0001 | 0.0001 | 0.0034 | 0.0035 |
| **Japan** | 0.011 | 0.012 | 0.007 | 0.012 | 0.076 | 0.008 | 0.087 | 0.517 | 104.95 | | 0.015 | 12.92 | 0.038 | 0.521 | 0.016 | 0.011 | 0.359 | 0.371 |
| **New Zealand** | 0.742 | 0.802 | 0.442 | 0.786 | 5.064 | 0.500 | 5.749 | 34.287 | 6961.52 | 66.331 | | 856.79 | 2.498 | 34.566 | 1.029 | 0.756 | 23.818 | 24.634 |
| **South Korea** | 0.0009 | 0.0009 | 0.0005 | 0.0009 | 0.0059 | 0.0006 | 0.0067 | 0.0400 | 8.13 | 0.0774 | 0.0012 | | 0.0029 | 0.0403 | 0.0012 | 0.0009 | 0.0278 | 0.0288 |
| **Malaysia** | 0.297 | 0.321 | 0.177 | 0.315 | 2.027 | 0.200 | 2.301 | 13.727 | 2787.01 | 26.555 | 0.400 | 343.01 | | 13.838 | 0.412 | 0.302 | 9.535 | 9.862 |
| **Philippines** | 0.021 | 0.023 | 0.013 | 0.023 | 0.146 | 0.014 | 0.166 | 0.992 | 201.40 | 1.919 | 0.029 | 24.79 | 0.072 | | 0.030 | 0.022 | 0.689 | 0.713 |
| **Singapore** | 0.721 | 0.779 | 0.429 | 0.763 | 4.919 | 0.486 | 5.585 | 33.311 | 6763.18 | 64.441 | 0.972 | 832.38 | 2.427 | 33.581 | | 0.734 | 23.139 | 23.932 |
| **Switzerland** | 0.982 | 1.062 | 0.585 | 1.040 | 6.702 | 0.662 | 7.609 | 45.383 | 9214.34 | 87.796 | 1.324 | 1134.06 | 3.306 | 45.751 | 1.362 | | 31.525 | 32.605 |
| **Taiwan** | 0.031 | 0.034 | 0.019 | 0.033 | 0.213 | 0.021 | 0.241 | 1.440 | 292.28 | 2.785 | 0.042 | 35.97 | 0.105 | 1.451 | 0.043 | 0.032 | | 1.034 |
| **Thailand** | 0.030 | 0.033 | 0.018 | 0.032 | 0.206 | 0.020 | 0.233 | 1.392 | 282.60 | 2.693 | 0.041 | 34.78 | 0.101 | 1.403 | 0.042 | 0.031 | 0.967 | |

Source: Thomson Reuters via WSJ Market Data Group

## MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of November. 17, 2009

| Dividend yield | Price-to-earnings ratio | Morgan Stanley Index | Last | LOCAL-CURRENCY PERFORMANCE Daily | YTD | 52-wk. |
|---|---|---|---|---|---|---|
| 2.50% | 23 | **ALL COUNTRY (AC) WORLD*** | 300.70 | 1.55% | **32.1%** | 27.4% |
| 2.60 | 24 | **World (Developed Markets)** | 1,175.40 | 1.48 | **27.7** | 22.8 |
| 1.90 | 1638 | **World Small Cap** | 189.36 | 1.96 | **41.1** | 36.4 |
| 2.70 | 20 | **Kokusai (World ex-Japan)** | 1,169.52 | 1.66 | **31.1** | 24.4 |
| 3.10 | 25 | **EAFE** | 1,612.40 | 1.54 | **30.3** | 30.2 |
| 2.30 | 19 | **Emerging Markets (EM)** | 982.43 | 2.07 | **73.3** | 72.2 |
| 2.70 | 24 | **AC ASIA PACIFIC EX-JAPAN** | 415.16 | 1.63 | **67.8** | 70.4 |
| 2.20 | 25 | **AC Far East ex-Japan** | 445.35 | 1.69 | **63.3** | 69.5 |
| 1.30 | 40 | **Japan** | 535.21 | -0.62 | **1.0** | -0.7 |
| 2.10 | 20 | **China** | 67.06 | 1.56 | **64.4** | 89.5 |
| 0.90 | 37 | **China A (China Domestic)** | 3,432.60 | 2.96 | **97.9** | 119.1 |
| 2.60 | 23 | **Hong Kong** | 10,275.67 | 1.29 | **56.8** | 60.5 |
| 1.00 | 19 | **India** | 686.61 | 1.15 | **86.0** | 79.4 |
| 0.90 | 24 | **Korea** | 453.69 | 1.54 | **47.8** | 43.5 |
| 2.60 | 21 | **Malaysia** | 473.17 | 0.54 | **47.3** | 49.5 |
| 3.30 | 16 | **Singapore** | 1,556.97 | 2.18 | **56.2** | 56.0 |
| 2.70 | 377 | **Taiwan** | 283.62 | 1.71 | **63.6** | 52.4 |
| 3.10 | 19 | **Thailand** | 289.49 | 1.82 | **56.4** | 69.2 |
| 4.10 | 22 | **Australia** | 977.61 | 0.93 | **27.8** | 17.9 |
| 5.10 | 17 | **New Zealand** | 87.60 | 0.71 | **15.4** | 11.7 |
| 1.90 | 32 | **US BROAD MARKET** | 1,224.45 | 1.56 | **24.6** | 16.2 |
| 3.50 | 17 | **EUROPE** | 87.38 | 1.43 | **25.9** | 12.0 |

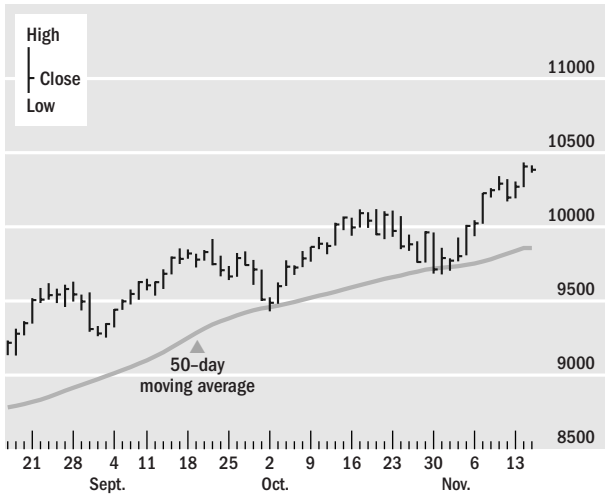
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

# SCANNING THE GLOBE

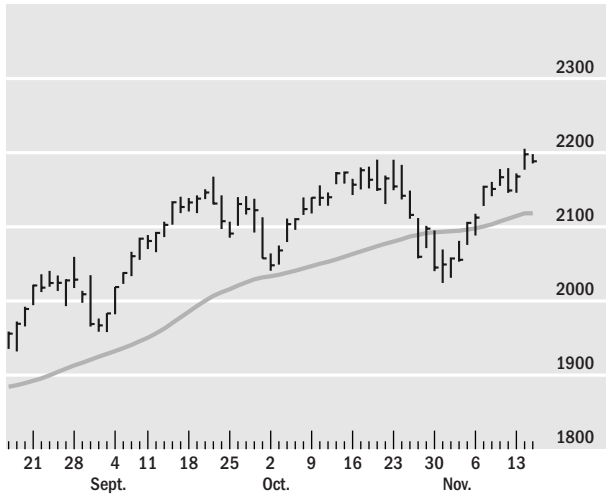
## Dow Jones Industrial Average P/E: 18

LAST: **10384.82** ▼ 22.14, or 0.21%
YEAR TO DATE: ▲ **1,608.43, or 18.3%**
OVER 52 WEEKS ▲ **1,960.07, or 23.3%**




## Nasdaq Composite Index P/E: 44*

LAST: **2188.38** ▼ 9.47, or 0.43%
YEAR TO DATE: ▲ **611.35, or 38.8%**
OVER 52 WEEKS ▲ **705.11, or 47.5%**




## S&P 500 Index P/E: 71

LAST: **1104.29** ▼ 5.01, or 0.45%
YEAR TO DATE: ▲ **201.04, or 22.3%**
OVER 52 WEEKS ▲ **245.17, or 28.5%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

## DJIA component stocks

| Stock | Symbol | Volume, in millions | Latest | CHANGE Points | CHANGE Percentage |
|---|---|---|---|---|---|
| **AT&T** | T | **10.70** | $26.25 | -0.04 | **-0.16%** |
| **Alcoa** | AA | **9.00** | 13.49 | -0.12 | **-0.88** |
| **AmExpress** | AXP | **4.70** | 40.87 | -0.57 | **-1.38** |
| **BankAm** | BAC | **51.00** | 15.64 | -0.23 | **-1.46** |
| **Boeing** | BA | **1.40** | 51.89 | -0.59 | **-1.12** |
| **Caterpillar** | CAT | **3.40** | 59.16 | -1.24 | **-2.05** |
| **Chevron** | CVX | **2.70** | 78.60 | -0.01 | **-0.01** |
| **CiscoSys** | CSCO | **16.90** | 23.91 | 0.04 | **0.18** |
| **CocaCola** | KO | **2.40** | 56.81 | 0.07 | **0.12** |
| **Disney** | DIS | **5.00** | 30.76 | 0.05 | **0.18** |
| **DuPont** | DD | **2.40** | 35.02 | 0.08 | **0.23** |
| **ExxonMobil** | XOM | **9.60** | 74.88 | 0.45 | **0.60** |
| **GenElec** | GE | **25.00** | 15.94 | -0.06 | **-0.36** |
| **HewlettPk** | HPQ | **5.40** | 50.96 | 0.15 | **0.30** |
| **HomeDpt** | HD | **17.50** | 26.57 | -1.08 | **-3.91** |
| **Intel** | INTC | **15.90** | 20.19 | -0.04 | **-0.20** |
| **IBM** | IBM | **3.90** | 128.18 | -0.03 | **-0.02** |
| **JPMorgChas** | JPM | **11.60** | 42.79 | -0.25 | **-0.58** |
| **JohnsJohns** | JNJ | **5.40** | 62.16 | -0.03 | **-0.05** |
| **KftFoods** | KFT | **4.00** | 27.58 | -0.05 | **-0.18** |
| **McDonalds** | MCD | **3.60** | 63.91 | -0.62 | **-0.96** |
| **Merck** | MRK | **5.30** | 33.93 | 0.12 | **0.35** |
| **Microsoft** | MSFT | **28.50** | 29.87 | 0.46 | **1.55** |
| **Pfizer** | PFE | **11.60** | 17.88 | -0.06 | **-0.33** |
| **ProctGamb** | PG | **4.30** | 62.38 | 0.11 | **0.18** |
| **3M** | MMM | **1.40** | 78.18 | 0.16 | **0.21** |
| **TravelersCos** | TRV | **1.20** | 53.08 | 0.14 | **0.26** |
| **UnitedTech** | UTX | **1.60** | 69.58 | 0.24 | **0.35** |
| **Verizon** | VZ | **3.90** | 30.40 | 0.07 | **0.22** |
| **WalMart** | WMT | **9.00** | 53.55 | 0.39 | **0.73** |

## U.S. stocks: most active...

| Stock | Symbol | Volume, in millions | Latest | CHANGE Points | CHANGE Percentage |
|---|---|---|---|---|---|
| **Citigroup** | C | **85.7** | $4.16 | –$0.02 | **–0.48%** |
| **SPDR S&P 500** | SPY | **69.5** | 110.80 | –0.42 | **–0.37** |
| **FordMotor** | F | **67.3** | 8.84 | 0.13 | **1.49** |
| **SprintNextel** | S | **61.1** | 3.67 | 0.17 | **4.93** |
| **BankAm** | BAC | **52.3** | 15.63 | –0.24 | **–1.51** |
| **PwrShrs QQQ** | QQQQ | **43.1** | 44.38 | –0.08 | **–0.18** |
| **Motorola** | MOT | **35.8** | 8.88 | 0.18 | **2.07** |
| **DrxFinancBear 3x** | FAZ | **35.4** | 19.31 | 0.19 | **0.99** |
| **Semitool** | SMTL | **28.9** | 10.94 | 2.54 | **30.24** |
| **Microsoft** | MSFT | **28.6** | 29.87 | 0.46 | **1.56** |
| **iShrMSCIEmrgMkt** | EEM | **26.4** | 41.51 | –0.56 | **–1.34** |
| **SPDR FnclSelSct** | XLF | **26.3** | 14.78 | –0.04 | **–0.27** |
| **GenElec** | GE | **25.2** | 15.95 | –0.05 | **–0.31** |
| **iShrRu2000** | IWM | **20.7** | 60.11 | –0.17 | **–0.28** |
| **iShrMSCI Taiwn** | EWT | **18.3** | 12.58 | –0.54 | **–4.12** |

## Biggest gainers...

| | | | | | |
|---|---|---|---|---|---|
| **ChMedExprsWt** | TMI% | **309.8** | $5.40 | $1.40 | **35.00%** |
| **Semitool** | SMTL | **28,871.7** | 10.94 | 2.54 | **30.24** |
| **AssrdGrny** | AGO | **9,477.6** | 25.94 | 4.73 | **22.30** |
| **ChinaMedExp(CH)** | TMI | **192.5** | 13.17 | 1.91 | **16.93** |
| **AdCareHlthSys** | ADK | **5.9** | 2.45 | 0.30 | **13.95** |

## ...Biggest losers

| | | | | | |
|---|---|---|---|---|---|
| **KingswayFin** | KFS | **524.3** | $1.60 | -$1.17 | **-42.24%** |
| **Innotrac** | INOC | **51.4** | 2.00 | -0.94 | **-31.97** |
| **QuckLgc** | QUIK | **2,878.2** | 1.48 | -0.53 | **-26.37** |
| **PacSunwear** | PSUN | **15,888.2** | 3.70 | -1.31 | **-26.15** |
| **SunpowerB** | SPWRB | **2,578.1** | 19.28 | -4.62 | **-19.33** |

## ADRs of Asian companies*

| 52-WEEK High | 52-WEEK Low | Stock | Symbol | Volume, in OOOs | Latest | CHANGE Points | CHANGE Percentage |
|---|---|---|---|---|---|---|---|
| $11.39 | $5.53 | **Taiwan Semi** | TSM | **9,721.6** | $10.63 | -0.17 | **-1.57%** |
| 76.48 | 24.53 | **BHP Billiton** | BHP | **1,829.0** | 74.71 | -1.40 | **-1.84** |
| 4.63 | 1.36 | **Adv Semi Engrg** | ASX | **1,528.6** | 4.35 | -0.28 | **-6.05** |
| 11.73 | 4.78 | **AU Optrncs** | AUO | **1,512.9** | 10.01 | -0.26 | **-2.53** |
| 8.19 | 3.14 | **Siliconware Prec Ind** | SPIL | **1,223.8** | 7.48 | -0.20 | **-2.60** |
| 3.87 | 1.62 | **Utd Microelectronics** | UMC | **1,119.6** | 3.75 | -0.08 | **-2.09** |
| 15.95 | 8.56 | **China Unicom** | CHU | **1,064.9** | 13.52 | -0.41 | **-2.94** |
| 6.84 | 3.71 | **Mitsu UFJ Fnl** | MTU | **712.8** | 5.44 | 0.06 | **1.12** |
| 52.40 | 21.10 | **Infosys Tech** | INFY | **623.9** | 52.29 | 0.38 | **0.73** |
| 27.96 | 17.71 | **NTT** | NTT | **542.2** | 21.09 | 0.08 | **0.38** |
| 59.22 | 38.51 | **China Mobile** | CHL | **477.0** | 48.19 | -0.12 | **-0.25** |
| 18.80 | 12.59 | **SK Telecom** | SKM | **333.8** | 17.19 | -0.20 | **-1.15** |
| 30.82 | 15.64 | **Sony** | SNE | **327.0** | 28.35 | -0.28 | **-0.98** |
| 19.56 | 15.05 | **ChunghwaTel** | CHT | **307.7** | 17.97 | -0.32 | **-1.75** |
| 15.29 | 6.85 | **Korea Elec Pwr** | KEP | **295.4** | 14.53 | -0.22 | **-1.50** |
| 19.99 | 4.05 | **Yanzhou Coal Mining** | YZC | **287.6** | 19.80 | 0.40 | **2.06** |
| 32.79 | 8.11 | **Aluminum Cp of China** | ACH | **258.6** | 28.74 | -0.65 | **-2.21** |
| 150.50 | 42.35 | **POSCO** | PKX | **235.6** | 121.09 | -1.25 | **-1.02** |
| 17.66 | 9.94 | **KT Corp** | KTC | **155.4** | 17.22 | -0.01 | **-0.06** |
| 4.00 | 0.87 | **SemiMfgInt** | SMI | **152.1** | 3.32 | 0.12 | **3.75** |
| 76.61 | 33.93 | **China Life Ins** | LFC | **144.2** | 75.20 | -0.75 | **-0.99** |
| 32.99 | 17.35 | **Honda Motor** | HMC | **103.3** | 32.16 | -0.36 | **-1.11** |
| 87.67 | 55.41 | **Toyota Motor** | TM | **96.5** | 79.70 | -0.50 | **-0.62** |
| 9.50 | 3.96 | **Nomura Hldgs** | NMR | **95.6** | 6.88 | -0.14 | **-1.96** |
| 135.92 | 63.62 | **PetroChina** | PTR | **85.0** | 130.36 | -1.13 | **-0.86** |
| 41.25 | 21.23 | **Canon** | CAJ | **84.0** | 38.79 | 0.46 | **1.20** |
| 167.15 | 60.57 | **CNOOC** | CEO | **73.8** | 165.29 | -1.17 | **-0.70** |
| 9.82 | 5.43 | **Telecom Corp of NZ** | NZT | **71.6** | 9.23 | -0.16 | **-1.74** |
| 94.00 | 46.45 | **China Petro & Chem** | SNP | **68.1** | 87.65 | -1.21 | **-1.36** |
| 7.10 | 2.00 | **Alumina** | AWC | **50.1** | 6.17 | -0.04 | **-0.56** |

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

## Global government bonds

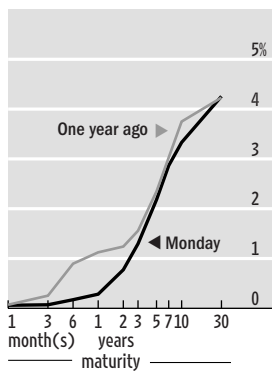
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

| Coupon | Country/ Maturity, in years | Yield | SPREAD OVER TREASURYS, in basis points Latest | Previous | Month ago | Year ago | YIELD Previous | Month ago | Year ago |
|---|---|---|---|---|---|---|---|---|---|
| 5.750% | **Australia** 2 | **4.545%** | **376.3** | 382.8 | 385.5 | **224.3** | 4.650% | 4.824% | **3.436%** |
| 4.500 | 10 | **5.517** | **216.1** | 224.7 | 225.8 | **131.7** | **5.635** | 5.674 | **4.974** |
| 5.250 | **Austria** 2 | **0.870** | **8.8** | 3.9 | 11.3 | **125.5** | **0.861** | 1.082 | **2.448** |
| 4.350 | 10 | **3.573** | **21.7** | 23.2 | 33.2 | **56.9** | **3.620** | 3.748 | **4.226** |
| 3.500 | **Belgium** 2 | **1.032** | **25.0** | 19.8 | 26.7 | **138.1** | **1.020** | 1.236 | **2.574** |
| 4.000 | 10 | **3.625** | **26.9** | 29.0 | 33.9 | **59.8** | **3.678** | 3.755 | **4.255** |
| 1.250 | **Canada** 2 | **1.330** | **54.8** | 56.3 | 47.9 | **70.0** | **1.385** | 1.448 | **1.893** |
| 3.750 | 10 | **3.403** | **4.7** | 4.3 | 9.4 | **-8.4** | **3.431** | 3.510 | **3.573** |
| 4.000 | **Denmark** 2 | **2.193** | **141.1** | 137.4 | 144.6 | **212.5** | **2.196** | 2.415 | **3.318** |
| 4.000 | 10 | **3.619** | **26.3** | 24.4 | 25.1 | **38.6** | **3.632** | 3.667 | **4.043** |
| 1.500 | **France** 2 | **1.243** | **46.1** | 41.3 | 50.9 | **132.7** | **1.235** | 1.478 | **2.520** |
| 3.750 | 10 | **3.539** | **18.3** | 19.6 | 21.5 | **34.4** | **3.584** | 3.631 | **4.001** |
| 1.250 | **Germany** 2 | **1.188** | **40.6** | 35.7 | 44.7 | **99.3** | **1.179** | 1.416 | **2.186** |
| 3.250 | 10 | **3.285** | **-7.1** | -6.8 | -12.2 | **2.0** | **3.320** | 3.294 | **3.677** |
| 0.550 | **Hong Kong** 2 | **0.575** | **-20.7** | -22.1 | -44.6 | **-30.3** | **0.601** | 0.523 | **0.890** |
| 2.640 | 10 | **2.296** | **-106.0** | -114.3 | -111.4 | **-200.8** | **2.245** | 2.302 | **1.649** |
| 3.750 | **Italy** 2 | **1.429** | **64.7** | 62.1 | 68.4 | **194.1** | **1.443** | 1.653 | **3.134** |
| 4.250 | 10 | **4.020** | **66.4** | 67.2 | 63.6 | **102.6** | **4.060** | 4.052 | **4.683** |
| 0.300 | **Japan** 2 | **0.245** | **-53.7** | -56.7 | -71.9 | **-55.8** | **0.255** | 0.250 | **0.635** |
| 1.300 | 10 | **1.315** | **-204.1** | -204.8 | -209.1 | **-209.2** | **1.340** | 1.325 | **1.565** |
| 4.000 | **Netherlands** 2 | **0.851** | **6.9** | 2.0 | 9.6 | **127.7** | **0.842** | 1.065 | **2.470** |
| 4.000 | 10 | **3.511** | **15.5** | 15.1 | 20.6 | **31.9** | **3.539** | 3.622 | **3.976** |
| 3.200 | **Portugal** 2 | **1.120** | **33.8** | 29.5 | 36.9 | **177.9** | **1.117** | 1.338 | **2.972** |
| 4.750 | 10 | **3.760** | **40.4** | 41.2 | 49.0 | **71.7** | **3.800** | 3.906 | **4.374** |
| 5.350 | **Spain** 2 | **1.339** | **55.7** | 52.9 | 58.9 | **159.1** | **1.351** | 1.558 | **2.784** |
| 4.300 | 10 | **3.789** | **43.3** | 45.6 | 46.7 | **50.3** | **3.844** | 3.883 | **4.160** |
| 4.000 | **Switzerland** 2 | **0.474** | **-30.8** | -34.2 | -42.4 | **42.5** | **0.480** | 0.545 | **1.618** |
| 3.000 | 10 | **1.967** | **-138.9** | -141.0 | -130.3 | **-115.0** | **1.978** | 2.113 | **2.507** |
| 3.250 | **U.K.** 2 | **1.305** | **52.3** | 58.4 | -9.3 | **91.6** | **1.406** | 0.876 | **2.109** |
| 4.500 | 10 | **3.675** | **31.9** | 36.1 | 19.0 | **44.6** | **3.749** | 3.606 | **4.103** |
| 1.000 | **U.S.** 2 | **0.782** | **...** | ... | ... | **...** | **0.822** | 0.969 | **1.193** |
| 3.375 | 10 | **3.356** | **...** | ... | ... | **...** | **3.388** | 3.416 | **3.657** |

Source: Thomson Reuters

## U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.




| Ryan Index | Yield to maturity | Modified duration | TOTAL RETURN Month to-date | Quarter to-date | Year to-date | 12-month |
|---|---|---|---|---|---|---|
| **30-year Treasury** | **4.256%** | 16.75 | 0.00 % | –2.71 % | –21.18 % | 3.30 % |
| **10-year Treasury** | **3.331** | 8.43 | 0.70 | 0.31 | –5.87 | 6.99 |
| **7 Year Treasury** | **2.866** | 6.22 | 0.90 | 1.01 | ... | ... |
| **Five-year Treasury** | **2.181** | 4.65 | 0.76 | 1.15 | 1.12 | 5.94 |
| **Ryan Index** | **2.450** | 6.82 | 0.54 | 0.22 | –4.19 | 5.50 |
| **3 Year Treasury** | **1.295** | 2.93 | 0.56 | 0.89 | 1.96 | 4.06 |
| **Two-year Treasury** | **0.774** | 1.93 | 0.29 | 0.59 | 1.73 | 3.07 |
| **1 Year Treasury** | **0.284** | 0.93 | 0.09 | 0.21 | 0.97 | 1.88 |
| **Six-month Treasury** | **0.173** | 0.50 | 0.02 | 0.05 | 0.62 | 1.21 |
| **Ryan Cash Index-a** | **0.147** | 0.44 | 0.03 | 0.08 | 0.52 | 0.91 |
| **Three-month bill** | **0.071** | 0.25 | 0.01 | 0.04 | 0.35 | 0.43 |
| **One-month bill** | **0.061** | 0.07 | ... | 0.01 | 0.14 | 0.15 |

a-Performance of a cash investment

Source: Ryan ALM

## Key money rates

| | Latest | 52 wks ago |
|---|---|---|
| **Prime rates** | | |
| U.S. | **3.25%** | 4.00% |
| Canada | **2.25** | 4.00 |
| Japan | **1.475** | 1.875 |
| Britain | **0.50** | 3.00 |
| ECB | **1.00** | 3.25 |
| Switzerland | **0.53** | 2.31 |
| Australia | **3.50** | 5.25 |
| Hong Kong | **5.25** | n.a. |
| **Libor** | | |
| One month | **0.23688%** | 1.45250% |
| Three month | **0.27031** | 2.21750 |
| Six month | **0.50625** | 2.63125 |
| One year | **1.05938** | 2.79500 |

| | Latest | 52 wks ago |
|---|---|---|
| **Euro Libor** | | |
| One month | **0.39625%** | 3.71250% |
| Three month | **0.67375** | 4.14875 |
| Six month | **0.97750** | 4.21125 |
| One year | **1.21250** | 4.28000 |
| **Hibor** | | |
| One month | **0.08964** | 1.04714% |
| Three month | **0.13893** | 2.09929 |
| Six month | **0.34929** | 2.40000 |
| One year | **0.60857** | 2.59929 |
| **Asian dollars** | | |
| One month | **0.2446%** | 1.46% |
| Three month | **0.2786** | 2.2240 |
| Six month | **0.5220** | 2.6480 |
| One year | **1.0800** | 2.8240 |

| | Offer | Bid |
|---|---|---|
| **Eurodollars** | | |
| One month | **0.2800%** | 0.1800% |
| Three month | **0.3800** | 0.2800 |
| Six month | **0.6000** | 0.5000 |
| One year | **1.5000** | 0.7500 |

| | Latest | 52 wks ago |
|---|---|---|
| **U.S. discount** | **0.50%** | 1.25% |
| **Fed-funds target** | **0.25** | 1.00 |
| **Call money** | **2.00** | 2.75 |
| **Overnight repurchase rates** | | |
| U.S. | **0.15%** | 0.30% |
| U.K. (BBA) | **0.485** | 2.592 |
| Euro zone | **0.35** | 2.88 |

Sources: WSJ Market Data Group; Reuters

MARKETS LINEUP

# Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Tuesday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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## Asian index movers...

### Nikkei Stock Average
Japan 9729.93
▼ **0.63% or 61.25**

Many exporters lost ground on the yen's strength against the dollar. Nikon fell 1.1%. But Canon rose 3% on news it would buy Dutch printer maker Oce.

| Stock | Volume in millions | Close | Change Net | Change % |
|---|---|---|---|---|
| Mizuho Financial | **176.27** | 170 | –2 | –1.16 |
| Mtshbsh Fin Grp | **80.51** | 487 | 7 | 1.46 |
| Toshiba | **73.39** | 457 | –22 | –4.59 |
| Hitachi | **50.98** | 262 | –7 | –2.60 |
| NEC | **45.83** | 235 | –9 | –3.69 |

### Straits-Times
Singapore 2764.95
▼ **0.68% or 18.90**

Investors took profits after Monday's gains. CapitaLand fell 2.4% after announcing that the IPO of its Asian malls unit was priced in the lower half of the indicative range.

| Stock | Volume in millions | Close | Change Net | Change % |
|---|---|---|---|---|
| Genting Spore | **48.07** | 1.11 | –0.02 | –1.77 |
| Golden Agri | **35.17** | 0.46 | unch | ... |
| Noble Grp | **18.54** | 2.76 | –0.10 | –3.50 |
| Sing Telecom | **13.92** | 2.97 | 0.02 | 0.68 |
| Olam Inter | **11.85** | 2.66 | unch | ... |

### ASX 200
Australia 4729.40
▼ **0.54% or 25.80**

Miners rose after copper hit 14-month highs in London and spot gold briefly hit a record. BHP Billiton gained 1% and Macarthur Coal jumped 3.5%.

| Stock | Volume in millions | Close | Change Net | Change % |
|---|---|---|---|---|
| Boart Longyear | **158.53** | 0.33 | –0.01 | –2.94 |
| Elders Limited | **72.95** | 0.17 | –0.01 | –5.56 |
| Telstra | **56.89** | 3.30 | –0.05 | –1.49 |
| Goodman Grp-Stpl | **48.30** | 0.63 | 0.02 | 2.44 |
| GPT Group | **39.40** | 0.64 | –0.01 | –1.54 |

### Kospi
South Korea 1585.98
▼ **0.41% or 6.49**

Hynix Semiconductor tumbled 6.6% after creditors said they may attempt to sell their collective 28% stake through a block deal if a public auction proves unsuccessful.

| Stock | Volume in millions | Close | Change Net | Change % |
|---|---|---|---|---|
| Hansol Homedeco | **22.09** | 855 | –110 | –11.40 |
| Hynix Semi | **21.51** | 18,400 | –1,300 | –6.60 |
| Orient | **9.15** | 1,695 | 80 | 4.95 |
| Monalisa | **8.52** | 760 | –10 | –1.30 |
| Baemyung Metal | **7.76** | 1,160 | –40 | –3.33 |

## Asian stocks in the news

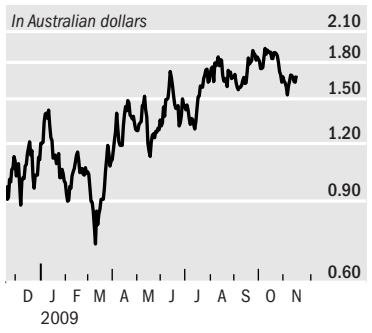
### Canon
Japan ¥3,470
▲ **3.0% or ¥100**

The company said it will buy Dutch printer maker Oce.

| | Price-to-earnings ratio | | | **42** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **82.50** |
| | Dividend yield | | | **2.9** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Technology | | **-0.1%** | 2.1% | 75.4% |
| Canon | | **3.0%** | 1.8% | 23.3% |

### Alumina
Australia A$1.69
▲ **3.4% or A$0.06**

A surge in commodity prices boosted mining stocks.




| | Price-to-earnings ratio | | | **18** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **0.09** |
| | Dividend yield | | | **none** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Basic Resources | | **...** | 3.3% | 95.9% |
| Alumina | | **3.4%** | -0.3% | 73.2% |

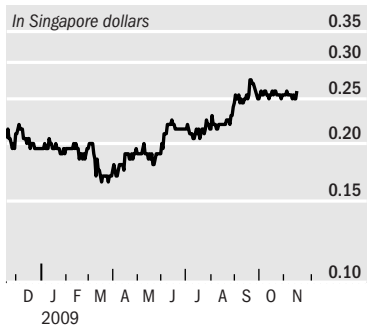
### Suruga Bk
Japan ¥866
▲ **3.7% or ¥31**

The lender said it expects fiscal year group net profit of 16.1 billion yen.

| | Price-to-earnings ratio | | | **14** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **62.40** |
| | Dividend yield | | | **1.5** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Banks | | **-0.6%** | -0.4% | 54.3% |
| Suruga Bk | | **3.7%** | 6.4% | -12.5% |

### Thai Beverage
Singapore S$0.26
▲ **4.0% or S$0.01**

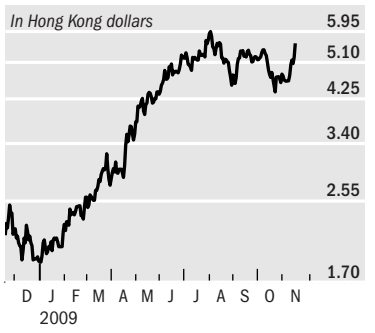
CLSA raised its rating on the stock to "conviction buy" from "buy."




| | Price-to-earnings ratio | | | **14** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **0.02** |
| | Dividend yield | | | **5.4** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Food & Beverage | | **-0.3%** | 0.6% | 39.1% |
| Thai Beverage | | **4.0%** | 2.0% | 26.8% |

### China Dongxiang
Hong Kong HK$5.61
▲ **7.3% or HK$0.38**

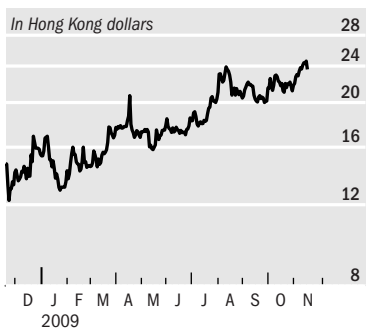
Citi raised its target on the stock to HK$6.90 from HK$6.10.




| | Price-to-earnings ratio | | | **20** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **0.29** |
| | Dividend yield | | | **1.5** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Retail | | **-0.4%** | 1.1% | 33.2% |
| China Dongxiang | | **7.3%** | 17.4% | 160.9% |

### Yue Yuen Indl (Hldgs)
Hong Kong HK$23.60
▼ **4.1% or HK$1.00**

The firm's retail arm Pou Sheng said it expects to swing to a net loss in the year to Sept. 30.




| | Price-to-earnings ratio | | | **17** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **1.36** |
| | Dividend yield | | | **3.8** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Personal & Hshld Gds | | **-0.5%** | -0.1% | 24.2% |
| Yue Yuen Indl (Hldgs) | | **-4.1%** | -0.2% | 60.1% |

### Kyowa Exeo
Japan ¥755
▼ **4.2% or ¥33**

The firm on Friday posted first-half net of 1.97 billion yen, down from 3.79 billion a year earlier.

| | Price-to-earnings ratio | | | **9** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **82.30** |
| | Dividend yield | | | **2.6** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Constructn & Matl | | **-0.9%** | ... | 48.1% |
| Kyowa Exeo | | **-4.2%** | -1.9% | -18.7% |

### Taiyo Nippon Sanso
Japan ¥990
▼ **4.8% or ¥50**

First-half net profit fell to 6.83 billion yen from 9.94 billion yen a year earlier.

| | Price-to-earnings ratio | | | **30** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **33.00** |
| | Dividend yield | | | **1.2** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Chemicals | | **-1.3%** | -2.1% | 44.2% |
| Taiyo Nippon Sanso | | **-4.8%** | 2.8% | 67.8% |

### Konica
Japan ¥836
▼ **5.3% or ¥47**

Rival Canon's deal to buy printer maker Oce hurt Konica shares.

| | Price-to-earnings ratio | | | **44** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **18.80** |
| | Dividend yield | | | **1.8** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Personal & Hshld Gds | | **-0.5%** | -0.1% | 24.2% |
| Konica | | **-5.3%** | -7.3% | 32.9% |

### Fuji Elec Hldgs
Japan ¥142
▼ **7.2% or ¥11**

The stock is down 25% since Sept. 24.

| | Price-to-earnings ratio | | | **none** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **-22.80** |
| | Dividend yield | | | **none** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Indus Gds & Svcs | | **-0.9%** | -1.1% | 51.7% |
| Fuji Elec Hldgs | | **-7.2%** | -10.7% | 10.9% |

MARKETS

# HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

## Yuaning gap divides reality, expectations

Markets may expect it, and foreign leaders may hope for it—but none of this means the Chinese yuan will soon start appreciating again against the dollar.

President Obama, for one, appears optimistic: Tuesday, during a media appearance with Chinese leader Hu Jintao, he welcomed China's "commitment...to move to a more market-oriented exchange rate over time."

Foreign-exchange traders seem even more hopeful; the nondeliverable forwards market is currently pricing in an appreciation in the yuan against the dollar of just over 3% over the next 12 months.

The spur for this speculation has been an apparent change in tone from China's central bank. In a report last week, it dropped references to maintaining the stability of the yuan exchange rate, while suggesting the currency would move more in line with international capital flows and trends in major currencies.

**Foreign-exchange traders seem to believe the Chinese currency is poised to appreciate.**

Parsing such statements for imminent policy shifts is a sport in China, but the language can cut both ways. As UBS economist Tao Wang points out, the central bank's concerns about capital flows could, for example, point to fears about hot-money inflows, such as those China experienced when it allowed a 20% appreciation from 2005 to 2008. That would be an argument against allowing the yuan's value to increase.

More on the Chinese leadership's mind is the still-fragile state of the global economic recovery and the outlook for exports. Exports aren't declining as fast as they were earlier this year, but they were still down 14% year-to-year in October.

Until China's leaders see genuine evidence that the export sector has stabilized, it is unlikely that the yuan will start rising again. Even then, at the earliest, it probably wouldn't be until a meeting of the top leadership next March that a consensus on exchange-rate policy changes can be reached.

As Mr. Obama noted Tuesday, a more market-oriented exchange-rate regime can be expected in time. It's worth remembering that in China, time often seems to pass more slowly than elsewhere.

*—Andrew People*

An employee checks dollar banknotes at a bank in Hefei.

## OVERHEARD

Investors finally found a Bair market they can love. Shares in **East West Bancorp** and **Iberiabank** have soared since they bought failed banks from the Federal Deposit Insurance Corp.

The regulator's chief, **Sheila Bair**, hasn't always been seen as a friend to investors. However, East West is up 63% since its Nov. 6 FDIC deal, and Iberia jumped 18% Monday following Friday's deal.

One possible reason: Both involve the FDIC taking potential losses.

* * *

Having outtraded rivals over the last year or so, **John Paulson** is after another trophy. **Hartford Financial Services Group** has him pitted against rival **Eddie Lampert**. While Mr. Paulson's hedge fund acquired 2.75 million of the insurer's shares in the third quarter, rival Lampert ditched the stag. Happy hunting.

*—overheard@wsj.com*

## Plunging overboard on container shipping lines

A rebound in the fortune of Asia's container shipping industry was always certain.

After all, at one point this year, the base rate for a shipment from Asia to Europe was effectively zero. Customers only paid for fuel surcharges and similar add-ons.

Improvement from lows like that hardly counts as a meaningful recovery. Investors paying above historic valuations for shares of companies like **Neptune Orient Lines** and **China Shipping Container Lines** are going overboard.

Consider the headwinds: A pickup in demand depends on the still-insecure Western consumer, and a supply glut could overwhelm a weak recovery.

The shippers are making a dent in this by canceling orders and scrapping old ships, but the oversupply is substantial: 11%% of the global shipping fleet is idle, HSBC says, compared with 3% typically, and outstanding orders for new ships, booked in the heady days of global trade, could increase capacity by as much as 40%.

In other words, shipping rates will stay depressed, losses will mount, and the value of the companies' assets—the ships themselves—will continue to decline. Against this grim outlook, Neptune Orient's Singapore listed stock trades at 1.2 times expected book value, according to data provider Starmine. That's above an average valuation over the last five years of closer to 0.9 times book. Similarly overvalued are the Hong Kong-listed shares of CSCL, which currently fetch 1.3 times expected book.

Analysts at Macquarie think a more appropriate valuation for Neptune is 0.7 times their forecast for book, pricing the stock some 25% below its current level.

Stock buyers might be overreacting to the recent rise in the Baltic Dry Index, which is near 2009 highs, says Paul Chan, Invesco's Hong Kong-based chief investment officer. The BDI reflects rates for shipments of commodities like coal and iron ore, not the finished products hauled in container ships.

Those who think they still have good reasons to buy could be taking a swim soon.

*—Alex Frangos and Mohammed Hadi*

WEEKEND JOURNAL
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